



Greater Tzaneen Municipality  
Unaudited Financial statements  
for the year ended 30 June 2020

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## General Information

### Nature of business and principal activities

Greater Tzaneen Municipality is a local municipality performing the functions as set out in the constitution (Act no 105 of 1996).

Greater Tzaneen Economic Development Agency (GTEDA) is a municipal entity performing the functions consistent with that of an entity.

The main business operations of the Municipality is to engage in local government activities which includes planning and promotion of integrated development planning, economic and environmental development and provision of the following services to the community.

General services: All types of services rendered by a municipality excluding the provision of housing to the community.

Electricity service: Electricity is bought in bulk from ESKOM and distributed in communities.

Waste management services: The collection and disposal of waste.

Water and sewer services: Greater Tzaneen Municipality acts as a service provider for Mopani District Municipality with regards to water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

### Jurisdiction within which the Municipality operates

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province in the Mopani District Municipality Area of Jurisdiction. It extends from Haenertsburg in the west, to Rubbervale in the east, and just south of Modjadjiskloof in the north, to Trichardtsdal in the South.

### Executive committee

Mayor

Members of the Executive Committee

Councillor M.G. Mangena

Councillor M.G. Mangena

Councillor T.T. Maunatlala (Finance)

Councillor M.M. Letsoalo (Sports, Recreation, Arts and Culture)

Councillor G.E. Ntimbane (Infrastructure)

Councillor M.L. Hlangwani (Health, Environment and Social Development)

Councillor M.S. Tiba (Economic Development, Housing and Spatial Development Plan)

Councillor C. Machimana (Public Transport and Safety and Security)

Councillor N.J. Mhahlati (Corporate Gov. and Share Services)

Councillor D.J. Mmetle (Speaker)

Councillor C.S. Nhembe (Chief Whip)

Councillor M. Prinsloo (Exco)

Councillor D.O. Molemela (Exco)

Councillor D.J. Mmetle (Speaker)

Councillor M.G. Mangena (Mayor)

Councillor C.S. Nhembe (Chief Whip)

Councillor M.M. Letsoalo

Councillor C. Machimana

Councillor T.T. Maunatlala

Councillor N.J. Mhahlati

Councillor G.E. Ntimbane

Councillor M. Prinsloo

### Ordinary Councillors

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### General Information

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Councillor M.M. Sekhwela  
Councillor M.S. Tiba  
Councillor M.L. Hlangwane  
Councillor M.S. Baloyi  
Councillor J. Banyini  
Councillor O.K. Banyini  
Councillor P.W. Cronje  
Councillor D.G. Kgafane  
Councillor M.R. Kgatla  
Councillor L.K. Lepulane  
Councillor M.J. Maake  
Councillor M.H. Makkwane  
Councillor M.C. Ramathwala  
Councillor J.T. Makhubele  
Councillor G.P. Makhubele  
Councillor M.M. Makwala  
Councillor S.C. Makwala  
Councillor M.A. Makwala  
Councillor M.M. Makwala  
Councillor T.E. Malatji  
Councillor G.M. Malatji  
Councillor D.O. Metemela  
Councillor S.M. Mapija  
Councillor S.P. Mesetla  
Councillor N.A. Masila  
Councillor N.P. Mathebula  
Councillor M.M. Mathekga  
Councillor T.L. Matika  
Councillor N.G. Maunatlala  
Councillor M.F. Mchabane  
Councillor T.J. Modintok  
Councillor D.G. Mokoena (MPAC Chairperson)  
Councillor M.F. Mochabela  
Councillor F.T. Mokoena  
Councillor S.N. Mahonone  
Councillor M.J. Makgotoboto  
Councillor M.C. Morwatshehla  
Councillor T. Mpenyana  
Councillor N.G. Mukansi  
Councillor T.H. Mushwana  
Councillor E.T. Ngobeni  
Councillor S.E. Ngobeni  
Councillor J.L. Ngobeni  
Councillor M.C. Nkwashu  
Councillor N. Nkwashu  
Councillor M.E. Phakula  
Councillor R.E. Pohl  
Councillor M.L. Puthikabelwa  
Councillor M.S. Rakganya  
Councillor P.J. Ramodipa

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## General Information

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	Councillor S.B. Ramoshaba Councillor M.O. Raolane Councillor K.I. Rapatsa Councillor R.S. Rapitsi Councillor J.M. Ratopola Councillor C.T. Shisinga Councillor O. [REDACTED] Councillor N.H. Zandamela Councillor M.R. Rikhotso Councillor P.P. Machethe
Grading of local authority	Grade 4: High Capacity
Chief Finance Officer (CFO)	[REDACTED] Palesa Makhubela
Accounting Officer	Bartholomew Serapeko Mallala
Registered office	[REDACTED] Agatha Street Civic Center Tzaneen [REDACTED]
Business address	[REDACTED] Agatha Street Civic Center Tzaneen [REDACTED]
Postal address	PO Box 24 Tzaneen [REDACTED]
Bankers	ABSA
Website address	<a href="http://www.tzaneen.gov.za">www.tzaneen.gov.za</a>
Audit committee	S.A.B. Ngobeni (Chairperson) J.M. Mabuza N.T. Mkhumbi J.M. Mofokeng N.S. Haseane
Level of rounding	Rounding to the nearest Rand
Auditor	Auditor General of South Africa (AGSA) Pretoria Office Telephone number: 015 283 9338

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GTEDA	Greater Tzaneen Economic Development Agency
RAL	Roads Agency Limpopo
VAT	Value Added Tax

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the ~~unaudited~~ financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the unaudited financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited financial statements and will be given unrestricted access to all financial records ~~and~~ related data.

The unaudited financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and ~~directives~~ issued by the Accounting Standards Board.

The unaudited financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance ~~in~~ maintaining a ~~strong~~ control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include ~~the~~ proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and ~~all~~ employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in ~~a manner~~ that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is ~~in~~ identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminate, the Municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied ~~and~~ managed within predetermined procedures and constraints.

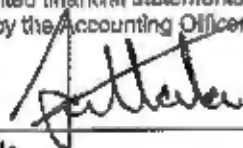
The Accounting Officer ~~is~~ of the opinion, based on the information ~~and~~ explanations given by management that ~~the~~ system of internal control provides reasonable assurance ~~that~~ the financial records may be ~~used~~ on for the preparation of the unaudited financial statements. However, any system of ~~internal financial control~~ ~~can~~ provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast ~~for~~ the year to 30 June 2021 and, in the light of this review and ~~the~~ current financial position, he is satisfied that ~~the~~ Municipality has ~~or~~ has ~~access~~ to adequate ~~resources~~ to continue in operational existence for the foreseeable future.

The unaudited financial statements are prepared ~~on the basis that~~ the Municipality is a going concern and that the Greater Tzaneen Municipality has neither the intention ~~nor~~ the need to liquidate or curtail materially the scale of the Municipality.

Although the Accounting Officer is primarily responsible for ~~the~~ financial affairs of the Municipality, the Municipality's external auditors are responsible for expressing an opinion ~~on~~ the financial statements.

The unaudited financial statements set out on pages 7 to 123, ~~which have been~~ prepared on the going concern basis, were approved by the Accounting Officer on 28 October 2020 and were signed by him:



B.B. Matlala  
Municipal Manager

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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The Accounting Officer submits his report for the year ended 30 June 2020.

### 1. Introduction

#### Main business and operations

The Greater Tzaneen Municipality is situated in the eastern quadrant of the Limpopo Province within the Mopani District Municipal Area of Jurisdiction. It comprises a land area of approximately 3240 km<sup>2</sup>, and extends from Haenertsburg in the West, to Rubbervale in the East, and just South of Modjadjiskloof in the North, to Trichardsdal in the South.

The long-term goal of Greater Tzaneen Municipality is to ensure that the Municipality is financially sustainable, to stimulate economic growth and to improve the quality of life of all residents in the area of jurisdiction.

To achieve these goals, Council approved the 2019/2020 Budget on 30 May 2019. The Budget, which is informed by the service delivery needs of the community as captured in the Municipality's Integrated Development Plan, demonstrates the Municipality's commitment to improve efforts to limit non-priority spending and direct spending towards the Municipality's Electricity Network. The objectives of combatting electricity service interruptions are high on the Municipality's agenda and the short-term objectives are:

- The upgrading of the Municipality's Electricity Network to ensure the provision of an uninterrupted electricity service.
- Data cleaning and improvement of the Municipality's ~~Electricity~~ Collection.
- A strong administration to ensure a stable working environment through which future development can be established.
- The implementation of a revenue enhancement programme in support of revenue generation and the combatting of losses pertaining to electricity.

### 2. The effect of the COVID-19 pandemic

The economic climate in which South Africa currently finds itself in 2020 has seen the shrinking of National, Provincial and local budgets due to actions taken to implement measures to curb the COVID-19 pandemic and the accompanying nation-wide lockdown. The lockdown not only affected individuals negatively but also had a negative impact on the revenues of municipalities at a time that demands have increased.

The ~~first~~ ~~week~~ ~~in~~ hand after the announcement of the pandemic and nation-wide lockdown was the approval of an adjustment budget where our municipality had to align the resources ~~in~~ ~~at~~ disposal to meet the requirements of the COVID-19 pandemic. This had to be done to ensure that the fight against COVID-19 does not affect service delivery negatively.

The fact that the nation-wide lockdown was announced three months before year-end enabled the Municipality to accommodate the required ~~measures~~ through an adjustment budget. The Municipality therefore ~~incurred~~ no significant financial losses at 30 June 2020. Continued assessments will be performed to ensure that the COVID-19 demands are met with no or limited interruptions in service delivery.

The Municipality received an allocation of R 200 000 from National Treasury to assist with the response to the COVID-19 pandemic.

### 3. Operational responsibility

It is the responsibility of the Municipality to present the statement of financial position, statement of financial performance and cash flow statement for the year ended 30 June 2020 in accordance with applicable legislation which includes the standards of GRAP.

In an attempt to obtain a clean audit opinion for the 2019/2020 financial year the Municipality has institutionalised the concept of operation clean audit (OPCA) to the extent that weekly meetings are held by the Municipality's Audit Steering Committee to address previous audit findings and year-end activities.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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### 4. Review of operating results

The budget of Greater Tzaneen Municipality for the 2019/2020 financial year has been approved by Council on 30 May 2019 for implementation on 1 July 2019, and the adjusted budgets for the financial year were approved as follows:

- 5 November 2019: Special adjustment budget
- 28 February 2020 : Adjustment budget
- 31 May 2020 : Special adjustment budget

Sustainability of the municipalities finances remains a key priority during the 2019/2020 financial year to ensure that service delivery continues in a sustainable manner and that the strategic objectives of the Municipality were met. The special adjustment budget approved during November 2019 was ~~shifted~~ to ensure that a funded budget is approved for the 2019/2020 financial year.

This review highlights the Municipality's performance for the past year but does not in any way attempt to provide detail of the performance. Full details appear in the annual financial statements.

Overview of the Municipality's results:

The Municipality's overall actual operating results against the corresponding approved budget figures are scheduled in Appendix E1 of the annual financial statements.

#### Statement of Financial Performance

The Statement of Financial Performance reflects a summary of ~~income~~ and expenditure items, while the segmental operating results per service are shown in appendix D of the annual financial statements. Over the past financial year the operating ~~revenue~~ increased from R 1 321 890 674 to R 1 274 427 231 ~~while~~ the operating expenditure decreased from R 1 198 204 388 to R 1 139 784 807.

The operating revenue is mostly generated from assessment rates, electricity sales and government grants and subsidies. Revenue from these items represent the following percentage of the ~~total~~ revenue:

- Assessment ~~revenue~~ 9.1%
- Service charges 43.8%
- Government grants and subsidies 39.1%

The municipalities actual operating expenditure amounts to R 1 139 784 807 resulting in a surplus of R 130 984 258.

Employees remuneration as a percentage of the total expenditure, ~~amounts~~ to 27.8% whilst contribution to ~~total~~ debt impairment provision is 4.8%. Depreciation and amortisation for the year represents 8.5% of the total expenditure, whilst repairs and maintenance of ~~assets~~ represent 2.2%. Expenditure on ~~bulk~~ electricity purchases ended on 34.4% of the total expenditure.

The actual expenditure amounts to R 1 139 784 ~~007~~ compared to the budgeted amount of R 1 248 665 025.

The expenditure amount includes R 314 771 685 for salaries, R 25 605 606 for repairs and maintenance and R 392 274 281 for the purchase of bulk electricity.

The Municipality reported a net operating surplus of R 130 984 258 for the financial year under review, (2019 R (78 540 232)).

The main revenue sources of the Municipality are:

- Property rates;
- Service charges and
- Government grants and subsidies.

Whilst the highest expenditure items are:

- Bulk purchases;
- Employee related costs;
- General Expenditure
- Depreciation and amortisation;

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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### Statement of Financial Position

Council has embarked on implementing a range of revenue collecting strategies to optimise the collection of debt owed by consumers. The outstanding consumer debtors as at 30 June 2020 amounts to R 543 518 382 (2019: R 470 918 091) of which R 404 528 331 (2019: R 368 974 237) were provided for impairment. Debtors to the amount of R 4 779 425 (2019: R -) have been written off as uncollectable. The total provision for impairment amounts to R 404 528 331 (2019: R 368 974 237).

Unspent conditional grants and receipts increased from R 5 083 273 in the previous financial year to R 5 455 827 in the current financial year with a 99,90% spending on the Municipal Infrastructure Grant.

The outstanding loans which have been taken-up to finance capital projects amount to R 133 292 875 (2019: R 133 455 817) and the detail of this amount is contained in Note 14 and Appendix A.

### 5. Accounting officers interest in contracts

Employees of the Municipality, including the Accounting Officer completed a declaration of interest in contracts and other related transactions to comply with legislative requirements.

### 6. Corporate Governance

The Accounting Officer is committed to ensure business integrity, transparency and professionalism in all his activities and to comply with the Code of Corporate Practices and conduct laid out in the King Report on Corporate Governance.

### 7. Remuneration

#### 7.1 Employees

Employees are remunerated according to the salary and wage collective agreement dated 29 June 2018 for the period 2017/2018 to 2020/2021.

#### 7.2 Councilors

The upper limits of the remuneration of the councilors are determined in terms of government notice issued by the Minister of Co-operative Governance and Traditional Affairs as required by the remunerations of public officers' bearers Act No. 20 of 1998. Our Municipality complies with these legislative requirements.

### 8. Audit and Risk Committee

The members of the audit committee are independent ~~audit committee~~ members which met on a regular basis during the financial year to review matters necessary to fulfil its role. These members have been appointed by the Municipality in terms of section 186 of the Municipal Finance Management Act.

### 9. Compliance

#### 9.1 Internal Audit

The Municipality established an internal audit function in terms of ~~section~~ 165 of the Municipal Finance Management Act 2003. The unit reports to the Accounting Officer administratively and functionally to the audit committee.

#### 9.2 Risk management

A risk and compliance management unit has been ~~established~~ in terms of Chapter II Section 62, of the Municipal Finance Management Act. The unit reports administratively to the Accounting Officer and functionally to the risk committee.

### 10. Going concern

The unaudited financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Due to the provision on financial and other resources as a special adjustment budget as well as in future budgets to contain the COVID-19 pandemic effectively, our Municipality had no significant financial loss at 30 June 2020.

Continued assessments will be performed to ensure that the COVID-19 pandemic demands are met without interruptions in service delivery.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Accounting Officer's Report

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The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

### 11. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

### 12. Accounting Officer

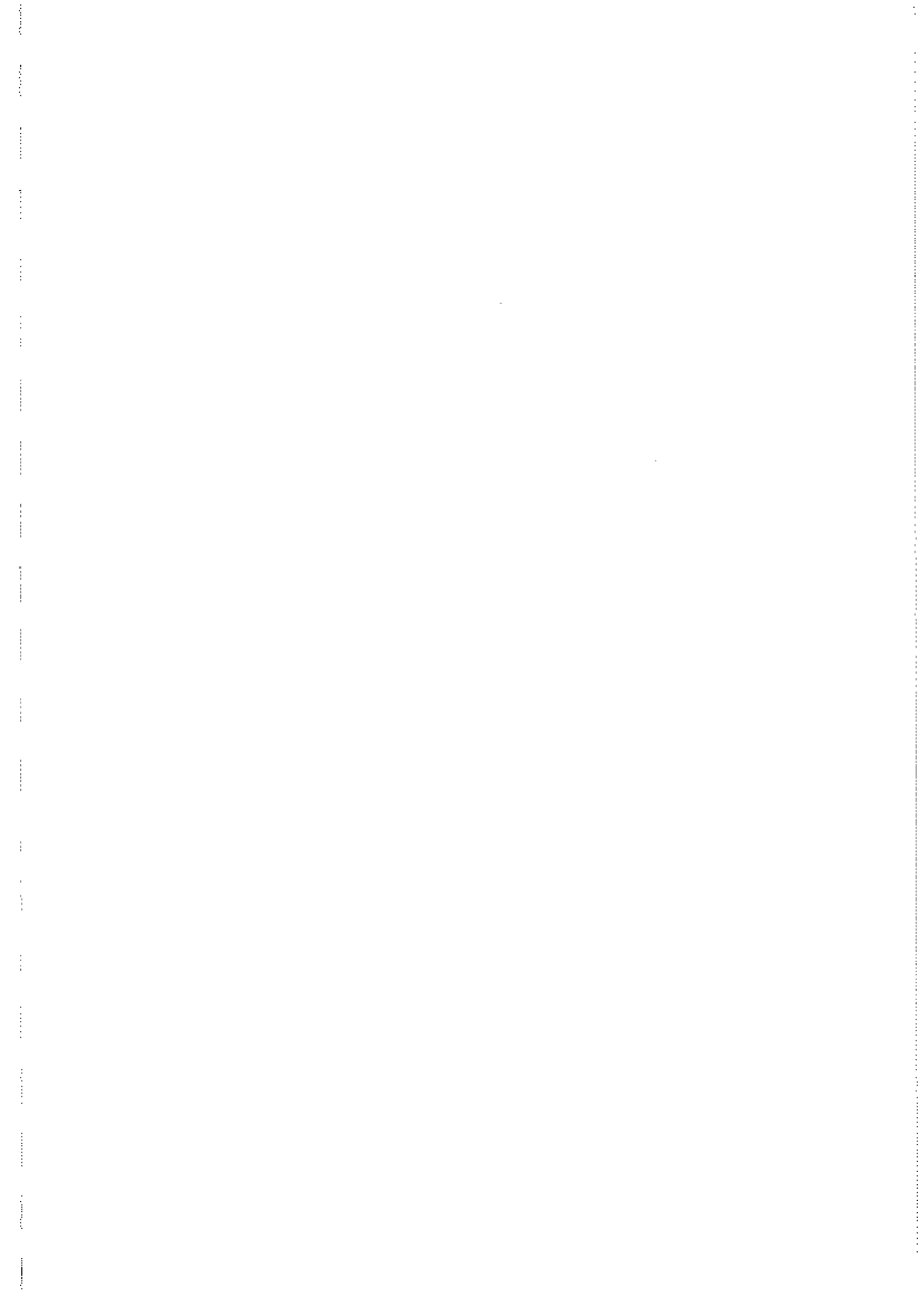
Name  
BS Matlala

Nationality  
South African

### 13. Auditors

Auditor General of South Africa will continue in office for the next financial period.







# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
Current Assets			
Inventories	3	22 331 781	18 162 335
Operating lease asset	6	50 789	89 491
Receivables from exchange transactions	7	314 159 268	274 098 948
Receivables from non-exchange transactions	5	54 394 591	40 067 189
Consumer debtors	8	116 024 317	82 703 229
Cash and cash equivalents	9	70 215 767	42 033 011
		<b>577 176 483</b>	<b>457 134 203</b>
Non-Current Assets			
Investment property	10	181 596 803	181 746 803
Property, plant and equipment	11	1 486 773 372	1 456 773 249
Intangible assets	12	744 470	1 136 137
Heritage assets	13	200 958	195 000
Other financial assets	4	21 113 388	31 523 083
		<b>1 690 419 002</b>	<b>1 671 375 272</b>
<b>Total Assets</b>		<b>2 267 595 485</b>	<b>2 128 509 475</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	14	9 851 648	22 810 851
Finance lease obligation	■	3 888 967	■ ■ ■ ■
Payables from exchange transactions	16	234 925 375	228 072 277
VAT payable	17	43 ■ ■ ■ 828	38 744 095
Consumer deposits	18	27 ■ ■ ■ 000	27 ■ ■ ■ 007
Unspent conditional grants and receipts	19	5 455 827	5 083 273
Provisions	20	970 477	948 870
		<b>326 475 224</b>	<b>326 705 513</b>
Non-Current Liabilities			
Other financial liabilities	14	123 441 226	110 845 166
Finance lease obligation	15	3 925 236	3 551 484
Retirement benefit obligation	21	76 128 000	81 474 678
Provisions	20	5 598 088	5 089 171
		<b>209 092 550</b>	<b>200 760 499</b>
<b>Total Liabilities</b>		<b>535 567 774</b>	<b>527 466 012</b>
<b>Net Assets</b>		<b>1 732 027 721</b>	<b>1 601 043 463</b>
Accumulated surplus		<b>1 732 027 721</b>	<b>1 601 043 463</b>

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Statement of Financial Performance

Figures in Rand

	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	557 909 399	486 306 412
Rental of facilities and equipment		1 452 233	2 132 696
Interest received (trading)	55	19 234 087	17 826 053
Agency services		9 118 576	8 254 073
Licenses and permits		1 231 892	1 020 674
Other income	23	27 795 527	27 801 807
Interest received - investment	55	8 677 865	9 616 814
<b>Total revenue from exchange transactions</b>		<b>626 119 659</b>	<b>563 767 529</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation</b>			
Property rates	24	114 746 520	108 160 412
Property rates - penalties imposed	24	10 693 012	10 022 808
<b>Transfer revenue</b>			
Government grants ■ subsidies	25	498 182 710	432 583 934
Public contributions and donations	58	80 000	110 867
Fines, penalties and forfeits	56	25 415 330	16 255 003
<b>Total ■ from non-exchange transactions</b>		<b>649 307 572</b>	<b>569 133 145</b>
<b>Total</b>	27	<b>1 274 427 231</b>	<b>1 121 690 674</b>
<b>Expenditure</b>			
Employee related costs	28	314 771 885	295 232 455
Remuneration of councillors	29	26 978 534	26 136 302
Depreciation and amortisation	59	98 378 043	128 241 ■
Impairment loss/ reversal of impairments	31	9 236 673	4 399 272
Finance ■	32	14 908 808	11 973 780
Debt Impairment	60	54 511 001	123 718 883
Collection costs		658 501	600 321
Repairs and maintenance	33	25 605 606	41 909 821
Bulk purchases	34	392 274 281	348 443 868
Contracted services	35	58 908 462	50 078 238
Transfers and subsidies	36	34 772 798	50 297 381
General expenses	37	108 786 414	118 174 314
<b>Total expenditure</b>		<b>1 139 784 807</b>	<b>1 199 204 388</b>
<b>Operating surplus (deficit)</b>		<b>134 642 424</b>	<b>(77 313 714)</b>
Loss on disposal/ write off of assets	57	(3 608 166)	(2 226 610)
Fair value adjustments	54	(50 000)	-
		<b>(3 658 166)</b>	<b>(2 226 618)</b>
<b>Surplus (deficit) for the year</b>		<b>130 984 258</b>	<b>(79 540 232)</b>

\* See Note 62



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		1 669 672 182	1 669 672 182
Adjustments			
Prior year adjustments	62	10 911 513	10 911 513
<b>Balance at 01 July 2018 as restated*</b>		<b>1 680 583 695</b>	<b>1 680 583 695</b>
Changes in net assets			
Surplus for the year		(79 540 232)	(79 540 232)
Total changes		(79 540 232)	(79 540 232)
Opening balance as previously reported		1 602 561 564	1 602 561 564
Adjustments			
Prior year adjustments	62	(1 518 101)	(1 518 101)
<b>Restated* Balance at 01 July 2019 as restated*</b>		<b>1 601 043 463</b>	<b>1 601 043 463</b>
Changes in net assets			
Surplus for the year		130 984 258	130 984 258
Total changes		130 984 258	130 984 258
<b>Balance at 30 June 2020</b>		<b>1 732 027 721</b>	<b>1 732 027 721</b>
Note(s)			

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		125 629 532	119 183 221
Sale of goods and services		643 080 386	541 419 341
Grants		509 723 192	481 305 927
Interest income		8 677 885	9 615 814
		<u>1 187 090 975</u>	<u>1 151 524 303</u>
<b>Payments</b>			
Employee costs		(347 094 887)	(323 716 802)
Suppliers		(667 709 137)	(707 424 036)
Finance costs		(13 571 398)	(10 981 350)
Transfer of property, plant and equipment		34 036 003	64 509 821
		<u>(994 339 429)</u>	<u>(977 591 167)</u>
<b>Net cash flows from operating activities</b>	38	<u><b>192 751 546</b></u>	<u><b>173 933 136</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(174 558 001)	(168 630 938)
Proceeds from disposal of property, plant and equipment	11	-	678 891
Purchase of other intangible assets	12	(202 341)	(164 938)
Purchases of heritage assets	13	(5 958)	-
Movement of financial assets		10 411	(4 637 884)
<b>Net cash flows from investing activities</b>		<u><b>(164 382 616)</b></u>	<u><b>(173 755 689)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(162 042)	30 274 238
Finance lease payments		(53 232)	4 080 641
<b>Net cash flows from financing activities</b>		<u><b>(216 174)</b></u>	<u><b>34 354 879</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>11 152 756</b></u>	<u><b>34 532 326</b></u>
Cash and cash equivalents at the beginning of the year		42 033 011	7 490 885
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>53 185 767</b></u>	<u><b>42 033 011</b></u>

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	615 202 657	(7 000 000)	608 202 657	557 909 399	(50 293 258)	Note 53
Rental of facilities and equipment	1 972 100	-	1 972 100	1 152 233	(819 867)	Note 53
Interest received - outstanding receivables	17 000 000	-	17 000 000	19 234 067	2 234 067	Note 53
Income from agency services	53 664 291	-	53 664 291	9 118 576	(44 545 715)	Note 53
Licences and permits	817 000	-	817 000	1 231 982	414 982	Note 53
Other income	6 968 123	-	6 968 123	27 795 527	20 827 404	Note 53
Interest received - external investment	4 301 000	-	4 301 000	8 677 866	4 376 866	Note 53
<b>Total revenue from exchange transactions</b>	<b>889 925 171</b>	<b>(7 000 000)</b>	<b>892 925 171</b>	<b>626 119 658</b>	<b>(67 805 512)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation</b>						
Property	104 000 000	-	104 000 000	114 746 520	10 746 520	Note 53
Property rates - penalties imposed	8 400 000	-	8 400 000	10 883 012	2 483 012	Note 53
<b>Transfer revenue</b>						
Government grants and subsidies	505 850 000	16 331 730	522 181 730	498 182 710	(23 999 020)	Note 53
Public contributions and donations	-	-	-	80 000	80 000	Note 53
Fines	38 501 136	-	38 501 136	25 415 330	(13 085 806)	Note 53
<b>Total revenue from non-exchange transactions</b>	<b>658 751 136</b>	<b>16 331 730</b>	<b>673 082 866</b>	<b>649 397 672</b>	<b>(23 775 294)</b>	
<b>Total revenue</b>	<b>1 356 676 307</b>	<b>9 331 730</b>	<b>1 366 008 037</b>	<b>1 274 427 231</b>	<b>(91 580 806)</b>	
<b>Expenditure</b>						
Employee cost	(357 715 346)	28 458 437	(331 256 909)	(314 771 685)	16 485 224	Note 53
Remuneration of councillors	(28 302 991)	-	(28 302 991)	(26 978 534)	1 324 457	
Depreciation and amortisation	(134 113 513)	11 103 304	(123 010 209)	(98 378 043)	24 632 166	Note 53
Impairment of assets	-	(6 989 791)	(6 989 791)	(9 236 873)	(2 246 882)	Note 53
Finance costs	(14 668 314)	-	(14 668 314)	(14 906 809)	(248 495)	
Debt impairment	(72 600 000)	19 542 600	(53 057 400)	(54 511 001)	(1 453 601)	
Collection costs	(1 200 000)	-	(470 000)	(656 501)	(186 501)	Note 53
Repairs and maintenance	(58 543 643)	17 376 569	(41 167 074)	(25 605 606)	15 561 468	Note 53
Bulk purchases	(403 000 000)	-	(403 000 000)	(392 274 281)	10 725 719	
Contracted services	(73 691 882)	7 047 363	(66 644 519)	(58 906 462)	7 738 057	Note 53
Grants and subsidies paid	(36 021 812)	(3 788 918)	(39 810 730)	(34 772 798)	5 037 932	Note 53
General Expenses	(134 049 478)	(6 247 610)	(140 297 088)	(108 786 414)	31 510 674	Note 53
<b>Total expenditure</b>	<b>(1 313 896 979)</b>	<b>954 954</b>	<b>(1 248 665 025)</b>	<b>(1 139 784 807)</b>	<b>108 880 218</b>	
<b>Operating surplus</b>	<b>42 779 328</b>	<b>-</b>	<b>117 343 012</b>	<b>134 642 424</b>	<b>17 299 412</b>	
Gain (Loss) on disposal of assets	-	-	2 500 000	(3 608 168)	(6 108 168)	Note 53
Fair value adjustments	-	-	-	(50 000)	(50 000)	Note 53
	<b>2 500 000</b>	<b>-</b>	<b>2 500 000</b>	<b>(3 658 168)</b>	<b>(6 158 168)</b>	
<b>Surplus before taxation</b>	<b>45 279 328</b>	<b>-</b>	<b>119 843 012</b>	<b>130 984 256</b>	<b>11 141 246</b>	

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis ■ Presented in the Budget and Actual Comparative Statement	45 279 328		119 843 012	130 964 258	11 141 246	

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	21 128 773	-	21 128 773	22 331 781	1 203 008	
Other financial assets	3 594 775	-	3 594 775	-	(3 594 775)	Note 53
Operating lease asset	154 ■■■	-	154 761	50 769	(103 992)	Note 53
Receivables from exchange transactions	215 386 534	-	215 386 534	314 159 288	98 772 734	Note 53
Receivables from non-exchange transactions	82 069 294	-	82 069 294	54 394 591	(27 684 703)	Note 53
Consumer debtors	136 462 653	-	136 462 653	116 024 317	(20 438 336)	Note 53
Cash and cash equivalents	7 240 823	72 769 785	50 010 606	70 215 767	(9 794 841)	Note ■■
	<b>466 067 613</b>	<b>72 769 785</b>	<b>538 827 398</b>	<b>877 179 493</b>	<b>338 349 095</b>	
<b>Non-Current Assets</b>						
Investment property	189 057 ■■■	-	189 057 053	181 586 803	(7 470 250)	
Property, plant and equipment	1 631 635 737	-	1 631 635 737	1 486 773 372	(144 862 365)	
Intangible assets	1 416 824	-	1 416 824	744 470	(672 354)	Note 53
Heritage assets	■■■ 155	-	200 165	200 958	803	
Other financial assets	33 878 623	-	33 878 623	21 113 399	(12 765 224)	Note 53
	<b>1 856 188 392</b>	<b>-</b>	<b>1 856 188 392</b>	<b>1 690 418 ■■■</b>	<b>(165 769 390)</b>	
<b>Total Assets</b>	<b>2 322 246 005</b>	<b>72 769 785</b>	<b>2 395 015 790</b>	<b>2 267 596 495</b>	<b>(127 420 295)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Other financial liabilities	12 433 938	-	12 433 938	9 851 649	(2 582 289)	Note 53
Finance lease obligation	4 000 000	-	4 000 000	3 888 967	(111 033)	
Payables from exchange transactions	207 073 ■■■	-	207 073 548	234 925 375	27 851 827	Note ■■
VAT payable	37 821 747	-	37 821 747	43 987 929	6 166 182	Note ■■
Consumer deposits	29 ■■■ 463	-	29 058 463	27 397 000	(1 661 463)	
Unspent conditional grants and receipts	-	-	-	5 455 827	5 455 827	Note 53
Provisions	500 815	-	500 815	970 477	469 662	Note 53
	<b>290 838 511</b>	<b>-</b>	<b>290 838 511</b>	<b>326 475 224</b>	<b>35 636 713</b>	
<b>Non-Current Liabilities</b>						
Other financial liabilities	■■■ 386 811	-	100 386 811	123 441 226	23 054 415	Note 53
Finance lease obligation	8 951 000	-	8 951 000	3 925 236	(5 025 764)	Note 53
Retirement benefit obligation	80 785 ■■■	-	80 785 264	76 128 000	(4 657 264)	
Provisions	5 598 089	-	5 598 089	5 598 088	(1)	
	<b>195 721 ■■■</b>	<b>-</b>	<b>195 721 164</b>	<b>209 092 550</b>	<b>13 371 ■■■</b>	
<b>Total Liabilities</b>	<b>486 609 575</b>	<b>-</b>	<b>486 609 575</b>	<b>535 567 774</b>	<b>48 958 099</b>	
<b>Net Assets</b>	<b>1 835 636 330</b>	<b>72 769 785</b>	<b>1 908 406 115</b>	<b>1 732 027 721</b>	<b>(176 378 394)</b>	

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2018/19 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	1 835 636 330	72 769 785	1 908 406 115	1 732 027 721	(176 378 394)	

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation revenue	101 160 000	-	101 160 000	125 029 532	24 469 532	Note 53
Sale of goods and services	628 272 611	(10 258 000)	618 014 611	543 060 388	(74 954 225)	
Grants	505 850 000	11 237 601	517 087 601	509 723 192	(7 364 409)	
Interest income	14 910 700	-	14 910 700	8 677 865	(6 232 835)	Note 53
	<b>1 260 193 311</b>	<b>979 601</b>	<b>1 251 172 912</b>	<b>1 187 090 975</b>	<b>(64 081 937)</b>	
<b>Payments</b>						
Employee costs	(357 715 346)	26 458 443	(331 256 903)	(347 094 897)	(15 837 994)	
Suppliers	(738 424 735)	31 139 606	(707 285 129)	(667 709 137)	39 575 992	
Finance costs	(14 658 314)	-	(14 658 314)	(13 571 398)	1 086 916	
Transfer of property, plant and equipment	-	-	-	34 036 003	34 036 003	Note 53
	<b>(1 110 798 395)</b>	<b>57 598 049</b>	<b>(1 053 200 346)</b>	<b>(984 339 429)</b>	<b>68 860 917</b>	
<b>Net cash flows from operating activities</b>	<b>139 394 916</b>	<b>58 677 650</b>	<b>197 972 566</b>	<b>192 751 546</b>	<b>(5 221 020)</b>	
<b>Cash flows from investing activities</b>						
Additions to property, plant and equipment	(137 084 850)	(15 883 000)	(152 967 850)	(174 556 001)	(21 588 151)	Note 53
Proceeds on disposal of	2 500 000	-	2 500 000	-	(2 500 000)	Note 53
Additions to intangible assets	-	-	-	(202 341)	(202 341)	Note 53
Purchase of heritage	-	-	-	(5 858)	(5 858)	
Movement of financial	(3 711 461)	(500 000)	(4 211 461)	10 411 884	14 623 345	Note 53
<b>Net cash flows from investing activities</b>	<b>(138 296 311)</b>	<b>(16 383 000)</b>	<b>(154 679 311)</b>	<b>(164 352 616)</b>	<b>(9 673 305)</b>	
<b>Cash flows from financing activities</b>						
Repayment of other financial liabilities	(3 815 228)	-	(3 815 228)	(162 942)	3 652 286	Note 53
Finance lease payments	(1 500 000)	-	(1 500 000)	(53 232)	1 446 768	Note 53
<b>Net cash flows from financing activities</b>	<b>(5 315 228)</b>	<b>-</b>	<b>(5 315 228)</b>	<b>(216 174)</b>	<b>5 099 054</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4 216 623)</b>	<b>42 194 650</b>	<b>37 978 027</b>	<b>28 182 756</b>	<b>(9 795 271)</b>	
Cash and cash equivalents at the beginning of the year	11 457 490	30 575 521	42 033 011	42 033 011	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>7 240 867</b>	<b>72 770 171</b>	<b>80 011 038</b>	<b>70 215 767</b>	<b>(9 795 271)</b>	

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1. Basis of preparation

The unaudited financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited financial statements, are disclosed below.

#### 1.1 Presentation currency

These unaudited financial statements are presented in South African Rand, which is the functional currency of the Municipality.

#### 1.2 Rounding

All financial figures have been rounded to the nearest Rand.

#### 1.3 Going concern assumption

These unaudited financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the unaudited financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited financial statements and related disclosures, based on available information and the application of judgement is inherent in the formation of the estimates. Actual results in the future could differ from these estimates which may be material to the unaudited financial statements. Significant judgements include:

##### Trade receivables and loans and receivables

The Municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recognised, management assesses whether there is observable data indicating a decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic indicators and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to the loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory. The write down is included in the operation surplus note.

##### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Municipality for similar financial instruments.

Subsequent to initial measurement, investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date, determined by the independent valuator.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1.4 Significant judgements and sources of uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Municipality reviews and tests the carrying value of assets or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and may materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as inflation interest and economic conditions.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

#### Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are the current market conditions. Additional information is disclosed in Note 21.

#### Discount rate

The Municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and its cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2022

### Notes to the Financial Statements: Accounting Policies

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#### 1.5 Investment property (continued)

##### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market value at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

##### Derecognition

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefit or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Compensation from third parties for investment property that is impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

#### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental or others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted from arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or improve it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment, servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is proportionately reduced with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment is depreciated on a straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

#### 1.6 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
<b>Infrastructure</b>	<b>Straight line</b>	
▪ Roads and road furniture		10 - 30
▪ Bridges, Culverts and Gabions		30
▪ Car Parks		20
▪ Airports		10 - 20
▪ Traffic Lights		20
▪ Electricity:		
- Transformers, Meters & Retification Networks		10 - 65
- Substations & switchgears		15 - 40
- Other Electricity Components		10 - 40
▪ Water		10 - 20
▪ Refuse Sites		15 - 30
▪ Buildings		30
▪ Security Fencing and Lighting		10 - 30
<b>Community Assets</b>	<b>Straight line</b>	
▪ Parks Improvements		30
▪ Community Buildings		30
▪ Recreational facilities		20
<b>Other Assets</b>	<b>Straight line</b>	
▪ Buildings		30
▪ Specialist vehicles		20
▪ Other vehicles		5 - 7
▪ Office equipment		3 - 10
▪ Furniture and fittings		3 - 10
▪ Bins and containers		5 - 10
▪ Plant and equipment		5 - 15
▪ Emergency and Health Equipment		5 - 10
▪ Security Access and Control		5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the Municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Municipality assesses at each reporting date whether there is any indication that the Municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality revises the expected useful life and the residual value accordingly. Such a change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements: Accounting Policies

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#### 1.6 Property, plant and equipment (continued)

Assets which the Municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the realisable amount and the carrying amount are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The Municipality separately discloses expenditure on repair and maintenance of property, plant and equipment in the notes to the financial statements (see note 11).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

#### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality; and
- the cost or fair value of the asset can be measured reliably.

The Municipality estimates the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the nature of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are determined at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3-5 years

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP requires otherwise in a sale and leaseback).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ending 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No asset lives are allocated.

#### Recognition

The Municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The Municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The Municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from the asset.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net carrying amount and the proceeds from the disposal (unless the Standard of GRAP on leases requires otherwise on a leaseback).

### 1.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

The amortised cost of a financial asset or financial liability is the cost at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial carrying amount, the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases where it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest in another entity;

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity, or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using the fair value accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, at cost, are subject to an impairment review.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements: Accounting Policies

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### 1.9 Financial Instruments (continued)

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the reporting date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that requires the instrument to be reclassified.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements: Accounting Policies

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### 1.9 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Municipality's expenditure pattern must be structured in line with available cash resources.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the time the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and its present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the asset; and
  - recognises separately any rights or obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated to the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety and the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.9 Financial instruments (continued)

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability, the revenue, and the associated expenses are offset.

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the provisions of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component of a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in its assets. Transaction costs incurred on residual interests are accounted for as a deduction from its assets. Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

#### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity classifies the classification of each element separately.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2019

### Notes to the Financial Statements: Accounting Policies

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#### 1.10 Leases (continued)

##### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance liability.

The discount rate used in calculating the present value of the minimum lease payments is the Municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### Operating leases - lessor

Operating lease revenue is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The aggregate cost of incentives is recognised as a reduction of income over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the Municipality's financial performance.

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.11 Inventories

Consumable and stands inventories consist of work in progress, consumables and finished goods. Inventory is measured at the lower of cost, or net realisable value. Where it is for distribution or consumption at no charge or for a nominal amount, inventories are valued at cost.

The cost of consumable inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete and slow-moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

#### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

##### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the Municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that exist and the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, a country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to the asset for use) which are directly attributed, or allocated on a reasonable and consistent basis, to the asset;
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the Municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that it is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.12 Impairment of cash-generating assets (continued)

##### Cash-generating units

If there is any indication that an asset may be impaired, its recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine an asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise be allocated to an asset is allocated pro rata to the other assets generating cash of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

##### Reversal of impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating unit is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2022/23

## Notes to the Financial Statements: Accounting Policies

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### 1.12 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would have been allocated to the asset is allocated pro rata to the other assets of the unit.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, if lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost are determined on an "optimised" basis. The rationale is that the Municipality would not replace or reproduce the asset as an asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets are assets which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost as reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2022

### Notes to the Financial Statements: Accounting Policies

#### 1.13 Impairment of non-cash-generating assets (continued)

##### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is recognised as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had an impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

##### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when it is clear that such a redesignation is appropriate.

#### 1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an Municipality after deducting all of its liabilities.

#### 1.15 Employee benefits

##### Short-term employee benefits

Short-term employee benefits are employee benefits (other than long-term employee benefits) that are due to be settled within twelve months after the end of the period in which the employees render the service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employee renders the related employee service;
- bonus, incentive and performance payments payable within twelve months after the end of the reporting period in which the employee renders service.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Financial Statements: Accounting Policies

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### 1.15 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are benefits (other than pension benefits) which the Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to the employee in the current and prior periods.

Payments made to industry-managed (or state plans) pension benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to that arising in a defined contribution retirement benefit plan.

#### Defined benefit plans

For defined benefit plans the cost of providing pension benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected pension obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a pension plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse all or part of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains or losses, unrecognised past service costs and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial gains and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the Municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements: Accounting Policies

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### 1.16 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The asset recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

### 1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is required to achieve a fair presentation should be disclosed in a note in the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer building maintenance services);
- Contracts should relate to something in the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts and social security benefit commitments are excluded.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or potential during the reporting period when those inflows result in an increase in net assets, other than relating to contributions from owners.

An exchange transaction is one in which the Municipality provides services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or potential associated with the transaction will flow to the Municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.18 Revenue from exchange transactions (continued)

##### Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

##### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Service included in the price of the product is recognised as revenue over the period during which the service is performed.

#### 1.19 Revenue from non-exchange transactions

Revenue from non-exchange transaction refers to transaction where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or transfer qualifies for recognition as an asset and there is no liability to repay the amount.

##### Recognition

An inflow of resources from a non-exchange transaction is recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

##### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised, it is the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

##### Taxes

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.19 Revenue from non-exchange transactions (continued)

Resources arising from taxes satisfy the definition of an asset when the Municipality controls the resources as a result of a past event (the taxable event) and expects to receive economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The Municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the property to which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation is determined at a gross amount. It is reduced for amounts paid through the tax system.

#### Transfers

Apart from services in kind, which are not recognised, the Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Where the Municipality collects fines in its capacity of an agent, it will not be revenue of the collecting entity.

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

#### 1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### 1.21 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or part of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that has been made in vain and that could have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### 1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 19 of 1998) or in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.25 Departmental information

A departmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendixes C and D. The Municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Departmental information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

#### 1.26 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation is similar.

General purpose financial reporting by municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The unaudited financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

#### 1.27 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Financial Statements: Accounting Policies

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#### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event, an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, and non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.29 Value Added Tax (VAT)

The Municipality accounts for VAT on the payment made. Output VAT is only payable as and when the purchase consideration is received and input tax can be claimed as and when payments are made.

#### 1.30 Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. A liability is transferred to revenue and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### Notes to the Unaudited Financial Statements

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#### 2. New standards and interpretations

##### 2.1 Standards and interpretations issued, but not yet effective

The Municipality has not applied the following standards and interpretations, which have been published and are mandatory for the Municipality's accounting periods beginning on or after 01 July 2020 in later periods:

##### GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of standards were raised about accounting for financial instruments. This included that (a) information on credit losses and defaults on assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board amended its existing Standards to deal with these issues. The IASB issued IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IFRS 7 Financial Instruments: Presentation and the IFRS Standard on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 as to align them with equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard are:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Council of Finance.

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# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2021

## Notes to the Unaudited Financial Statements

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"The municipality does not envisage the adoption of the standard [redacted] time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

### Guideline: Guideline on the Application of Materiality [redacted] Statements

The objective of this guideline: The objective of [redacted] Guideline [redacted] provide guidance that will assist entities to apply the concept of materiality when preparing financial [redacted] in accordance [redacted] Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework [redacted] General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies [redacted] how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to [redacted] Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption [redacted] the guideline until such time [redacted] it becomes applicable to the municipality's operations.

The impact of this standard is currently being [redacted].

### Directive 14: The application of Standards of [redacted] by [redacted] Entities [redacted] apply IFRS® Standards

Objective of this directive: The Board has approved the application of International Financial Reporting Standards (IFRS® Standards) issued [redacted] by the International Accounting Standards Board (IASB®) for public entities (hereafter referred to as "an entity") that [redacted] criteria to apply [redacted] Standards as [redacted] in [redacted] Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12).

[redacted] that apply IFRS Standards and operate in the public sector may need to formulate an accounting policy in the absence of an IFRS Standard that specifically applies [redacted] a transaction, other event or condition (hereafter referred to as "formulating an accounting policy") using [redacted] [redacted]. When formulating an accounting policy in the absence of an IFRS Standard, the municipality needs to consider [redacted] users [redacted] information needs. Users of financial statements prepared using the IFRS Standards are interested in information on [redacted] return on [redacted] investments, and/or the return of their investments, and to make decisions about providing resources [redacted] the municipality.

The objective of this Directive [redacted] to explain when, and [redacted] what circumstances, an municipality may consider the principles in a Standard of GRAP when formulating such an accounting policy.

It covers: Scope, Formulating an accounting policy in the absence of a specific IFRS® Standard, and Basis for conclusions.

The effective date of the standard is 01 April 2021.

The impact of this standard is currently being assessed.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>3. Inventories</b>		
Consumable stores	16 911 781	12 742 335
Stands	5 420 000	5 420 000
	<b>22 331 781</b>	<b>18 162 335</b>

The carrying value of inventories is disclosed as lower of cost or net realisable value.

### Inventory pledged as security

No inventory was pledged as security for any financial instrument.

### 4. Other financial assets

<b>At amortised cost</b>		
Fixed deposits - listed	21 113 399	31 525 083
<b>Non-current assets</b>		
At amortised cost	21 113 399	31 525 083
<b>Financial assets at amortised cost</b>		
<b>Council's valuation of listed investments</b>		
Liberty Group Limited	-	14 136 980
Standard Bank	21 113 399	17 388 103
	<b>21 113 399</b>	<b>31 525 083</b>

Fair value of investments is at book value at 31 March 2020.

No non-current investments defaulted and no impairment of any of the non-current investments were re-negotiated.

The maximum exposure to credit risk at reporting date is the fair value of each class of financial asset mentioned above.

A fixed deposit of R 21 113 399 has been made with Standard Bank of South Africa to repay a loan of R 30 000 000 on maturity date.

The fixed deposit of R 15 000 000 with Liberty Group Limited was used to repay a loan stock of R 15 000 000 taken up from ABSA.

### Loans to staff and the public

To comply with the requirements of the MFMA, no loan has been made after 1 March 2004.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### 5. Receivables from non-exchange transactions

#### Net balance

Fines	31 428 857	20 826 584
Consumer debtors - Rates ( Note 8 )	22 965 734	19 240 625
	<b>54 394 591</b>	<b>40 067 189</b>

#### 5.1 ) Fines

##### Reconciliation of traffic fines

Opening balance	148 757 491	135 030 576
Prior period corrections	-	3 000
New fines issued	25 167 500	33 078 650
Less: Fines withdrawn	(395 555)	(17 378 456)
Less: Fines paid	(1 158 855)	(1 974 279)
Less: Fines expired or cancelled	(56 525 010)	-
	<b>115 845 571</b>	<b>148 757 491</b>
Less: Provision for impairment	(84 416 714)	(127 930 927)
<b>Net outstanding fines receivable</b>	<b>31 428 857</b>	<b>20 826 584</b>

##### Reconciliation of provision for impairment of traffic fines

Less: provision for impairment		
Opening balance	127 930 927	91 141 000
Additionally provided	13 010 797	36 769 377
Less: Fines reduced or cancelled	(56 525 010)	-
	<b>84 416 714</b>	<b>127 930 927</b>

The 'Receivables from non-exchange transactions' 2019 comparative amount of R40million has been restated from R38million. Refer to Note 62.

#### Plugged as security

No receivables from non-exchanged transactions has been plugged as security for any financial liability.

#### Receivables from non-exchange transactions

The Accounting Standard Board amended GRAP 1 applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. GRAP 1 indicates that entities should not consider the probability of non-payment at initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

Fine revenue of all traffic fines issued during the current year amounted to R 24 771 945 (2019: R 15 701 194). The outstanding fines were assessed for impairment based on the payment history of fines issued and measures put in place to recover the outstanding amount.

The recovery of traffic fines is a protracted process due to legal and court procedures.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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### Credit quality of receivables from non-exchange transactions

Traffic fines are payable as determined by the Municipality. The period granted is considered to be consistent with the established practices and legislation.

The Municipality's historical experience in collection of traffic fines fall within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's receivables from non-exchange transactions.

### 6.2) Consumer debtors - rates

#### Reconciliation of consumer debtors - rates

Gross balance	222 344 165	189 892 185
Less: Allowance for impairment	(199 376 431)	(170 651 580)
Net balance	22 967 734	19 240 605

Consumer debtors - rates comparative figures have been reclassified to comply with GRAP106. Refer to Note 62.

#### Consumer debtors - rates pledged as security

No portion of accounts receivables was pledged as security for any financial instrument.

#### Credit quality of consumer debtors - rates

The credit quality of consumer debtors - rates that are neither impaired can be assessed by reference to historical information about counterparty default.

Consumer debtors - rates payable within 30 days. The period is considered consistent with terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors - rates are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of rates fall within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

### 6. Operating lease assets (accrual)

Current assets	50 769	69 491
Municipality as lessor: Future minimum lease repayments receivable		
Less than one year	44 819	42 878
Between one year and five years	59 217	102 265
More than five years	106 605	108 376
	210 641	253 519

The current 'assets' 2019 comparative amount of R 69 491 has been derived from R 152 382 (see note 62).

Operating leases relate to property owned by the Municipality with lease terms of between one (1) and twenty (20) years, with an option to extend the lease. The lessee does not have an option to purchase the property at the expiry of the lease period. The properties are maintained by the tenant, at their cost.

The Municipality has operating lease agreements for the following classes of assets which are only significant collectively.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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- Municipal buildings
- Vacant land

Operating lease income and expenditure have been recognised on a straight-line basis over the lease term. The effect of accounting for operating leases on the straight-line basis is nil effect.

No restrictions have been imposed on the Municipality in terms of the operating lease agreements

### 7. Receivables from exchange transactions

Trade debtors	306 910 865	273 458 755
Other receivables	40 960 395	33 148 138
Bursary loans	341 350	692 742
	<u>347 212 610</u>	<u>307 299 635</u>
Provision for impairment of receivables	(33 053 362)	(33 200 687)
	<u>314 159 248</u>	<u>274 098 948</u>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	33 200 687	26 260 544
Provision for impairment	1 168 662	8 940 143
Amounts written off as uncollectible	(1 314 007)	-
	<u>33 053 362</u>	<u>33 -</u>

The 'Receivables from exchange transactions' comparative amount of R274million has been restated from R281million. Refer to Note 62.

The impairment allowance mainly represents nil outstanding amounts due to the Municipality in respect of indigent consumables, rental hawker stalls, private dumping, etc.

### Credit quality of receivables from exchange transactions

Trade and other debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms in the public sector, through standard practices and legislation. Discounting of trade and other receivable on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are low due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

### II. Consumer debtors

<b>Gross balances</b>		
Rates	222 344 166	189 892 185
Electricity	227 306 093	199 197 687
Refuse	93 868 124	81 828 219
	<u>543 518 382</u>	<u>470 918 091</u>
<b>Less: Allowance for impairment</b>		
Rates	(199 378 431)	(170 651 580)
Electricity	(130 293 638)	(128 114 016)
Refuse	(74 858 282)	(70 208 661)
	<u>(404 528 351)</u>	<u>(368 974 257)</u>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Net balance</b>		
Rates	22 985 734	19 240 625
Electricity	97 012 455	71 083 671
Refuse	19 011 862	11 619 558
	<b>138 990 051</b>	<b>101 943 854</b>
<b>Included in above receivables from exchange transactions</b>		
Electricity	97 012 455	71 083 671
Refuse	19 011 862	11 619 558
	<b>116 024 317</b>	<b>82 703 229</b>
<b>Included in above receivables from non-exchange transactions (taxes and transfers)</b>		
Rates ( Note 5 )	22 985 734	19 240 625
	<b>116 024 317</b>	<b>82 703 229</b>
<b>Net balance excluding statutory receivables (rates)</b>		
	<b>116 024 317</b>	<b>82 703 229</b>
The transaction values of the statutory receivables (rates) are included under note 5, Receivables from non-exchange transactions.		
The 'Consumer Debtors' 2019 comparative amount of R82.7million has been restated from R101,9million. Refer to Note 82.		
<b>Consumer debtors ageing</b>		
<b>Current (0 -30 days)</b>	<b>10 679 256</b>	<b>9 619 270</b>
<b>31 - 60 days</b>	<b>6 089 864</b>	<b>5 025 903</b>
<b>61 - 90 days</b>	<b>4 978 688</b>	<b>4 243 000</b>
<b>91 - 120 days</b>	<b>4 869 617</b>	<b>3 970 083</b>
<b>121 - and older</b>	<b>195 946 770</b>	<b>167 033 247</b>
	<b>222 344 185</b>	<b>189 892 185</b>
<b>Electricity</b>		
<b>Current (0 -30 days)</b>	<b>42 920 975</b>	<b>45 308 917</b>
<b>31 - 60 days</b>	<b>16 681 414</b>	<b>6 204 869</b>
<b>61 - 90 days</b>	<b>13 377 802</b>	<b>9 538 695</b>
<b>91 - 120 days</b>	<b>6 069 784</b>	<b>3 265 273</b>
<b>121 - 365 and older</b>	<b>148 250 038</b>	<b>134 879 943</b>
	<b>227 306 093</b>	<b>198 197 687</b>
<b>Refuse</b>		
<b>Current (0 -30 days)</b>	<b>3 252 332</b>	<b>3 430 382</b>
<b>31 - 60 days</b>	<b>1 000 466</b>	<b>2 010 906</b>
<b>61 - 90 days</b>	<b>2 020 877</b>	<b>1 713 103</b>
<b>91 - 120 days</b>	<b>1 879 670</b>	<b>1 436 272</b>
<b>121 - and older</b>	<b>64 714 779</b>	<b>73 237 546</b>
	<b>72 868 124</b>	<b>81 828 219</b>
<b>Total</b>	<b>543 518 382</b>	<b>470 918 091</b>

### Summary of debtors by customer classification

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Residential property</b>		
Current (0 -30 days)	20 089 984	17 805 834
31 - 60 days	9 017 838	6 692 329
61 - 90 days	9 626 249	6 201 227
91 - 120 days	6 193 470	4 418 310
121 - days and older	257 505 955	239 438 774
	<b>302 433 574</b>	<b>274 554 474</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	42 039 044	35 030 580
31 - 60 days	6 869 551	3 894 378
61 - 90 days	5 790 935	7 035 623
91 - 120 days	4 094 537	1 923 930
121 days and older	131 445 064	123 808 710
	<b>190 240 131</b>	<b>171 683 221</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 747 808	1 434 000
31 - 60 days	994 789	742 038
61 - 90 days	898 872	872 000
91 - 120 days	549 052	278 770
121 days and older	19 352 000	13 234 000
	<b>19 542 524</b>	<b>16 359 808</b>
<b>Other</b>		
Current (0 -30 days)	3 262 364	1 478 404
31 - 60 days	3 434 713	590 477
61 - 90 days	2 138 582	436 114
91 - 120 days	2 270 504	928 000
121 days and older	20 205 000	3 912 513
	<b>31 301 163</b>	<b>8 345 508</b>
<b>Total</b>	<b>643 618 382</b>	<b>470 918 091</b>

### Consumer debtors pledged as security

No portion of accounts receivables was pledged as security against other liabilities.

### Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor impaired can be assessed by reference to historical information about counterparty default rates.

Consumer debtors are payable within 30 days. This period is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to consumer debtors are minimal due to the Municipality's large number of customers, the Municipality's historical experience in collection of consumer debtors falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's consumer debtors.

### Fair value of consumer debtors

The fair value of accounts receivable approximates their carrying amounts.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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### Consumer debtors

No security is held for any of the accounts receivable.

### Consumer debtors impaired

As of 30 June 2020, debtors including rates of R 40 333 520 (2019: R 40 333 520) were impaired and provided for.

An estimate is made for doubtful receivables based on the review of outstanding amounts at year end. Significant financial difficulties of the debtor, probability that the debtor may enter bankruptcy or default of delinquency in payments (more than 90 days overdue) are considered indicators that the consumer is impaired. An amount of R 4 779 425 (2019: R -) was written off during the year as uncollectable.

The amounts best represent the maximum exposure to credit at the end of the reporting period without taking into account of any collateral held or other credit enhancements.

The impact of the COVID-19 pandemic on council's consumer debtors during the current financial year was assessed and no significant financial loss needs to be provided for. Continuous assessments are performed.

### Reconciliation of allowance for impairment of consumer debtors

Opening balance	40 333 520	288 985 074
Allowance for impairment	(4 779 425)	70 989 183
Amounts written off as uncollectable		-
<b>Total debtors</b>	<b>404 526 332</b>	<b>368 974 257</b>
Less: Consumer debtors rates ( Disclosed under Note 5 )	(199 378 431)	(170 651 560)
<b>Total Consumer Debtors</b>	<b>205 149 901</b>	<b>198 322 677</b>

### B. Cash and cash equivalents

Cash and cash equivalents consist of:

<b>Bank balances</b>	<b>70 216 787</b>	<b>42 033 011</b>
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No cash and cash equivalents, or portion thereof, was pledged as security for any financial liabilities.

The balance of unspent conditional grants as per Note 10 only is used for purpose as set out in the different grant conditions and is not available to the Municipality to use in its business operations.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

The Municipality had the following bank accounts

Account number / description	Bank balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2020	30 June 2020	30 June 2019	30 June 2018
Consolidated cash book balance	-	-	-	70 215 767	42 033 011	7 490 665
ABSA Bank Cheque Account number 126 085 0527 Primary	-	-	-	-	-	-
ABSA BANK - Cheque Account number 404 896 4222	13 862 285	7 714 245	6 995 425	-	-	-
ABSA BANK - Cheque Account number 808 197 4990	2 129 691	-	487	-	-	-
ABSA BANK - Liquidity plus account - 9312433930(MIG)	2 152 224	5 141 834	4 692	-	-	-
ABSA BANK - Liquidity plus account - 9312434237 (INEP)	52 071 587	28 931 725	-	-	-	-
ABSA BANK - Cheque account number-405 144 4332	-	-	-	-	-	-
ABSA BANK -Call account number-409 887 3849	-	-	-	-	-	-
<b>Total</b>	<b>70 215 767</b>	<b>42 033 011</b>	<b>7 490 665</b>	<b>70 215 767</b>	<b>42 033 011</b>	<b>7 490 665</b>

An amount of R 827 (2019: R 883 273) conditional grants is included in cash and cash equivalents.

### Credit quality of cash and cash equivalents

The credit quality of cash and cash equivalents are neither past due nor impaired can be assessed by reference to the Municipality's going concern ratio's which current ratio, debt ratio and income to net ratio.

### 10. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	181 586 803	-	181 586 803	181 746 803	-	181 746 803

### Reconciliation of investment property - 2020

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	181 746 803	(110 000)	(50 000)	181 586 803

### Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	181 746 803	181 746 803

The 2018/2019 comparative amount of R 181 746 803 on investment property has been restated from R 181 377 053 (see note 62).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Pledged as security

No investment properties was pledged as security against liabilities.

The Municipality generated income from rental of investment properties of R 110 755 monthly on average (2019: R140 510).

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### Details of valuation

The Greater Tzaneen Municipal valuations are based on the valuation which is reviewed every four years. The last valuation roll came into effect on 1 July 2017. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

### 11. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	117 540 197	-	117 540 197	117 540 197	-	117 540 197
Infrastructure	2 306 122 (1 263 198 496)	043 577 826	282 926	2 306 122 (1 177 106 002)	1 105 819 031	1 105 819 031
Community	198 822 765 (50 222 103)	146 700 662	198 842 765	198 842 765 (43 222 970)	155 619 795	155 619 795
Work in progress	153 232 278	-	153 232 278	53 854 890	-	53 854 890
Other assets	68 976 806 (53 453 861)	15 522 945	71 498 139	58 122 837	18 375 302	18 375 302
Leased assets	20 181 593 (11 981 929)	8 199 664	15 928 415	8 364 381	7 664 034	7 664 034
<b>Total</b>	<b>2 865 829 581 (1 856 189)</b>	<b>1 486 773 372</b>	<b>2 740 969 439</b>	<b>(1 283 818 190)</b>	<b>1 457 151 249</b>	<b>1 287 111 249</b>

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Unaudited Financial Statements

Figures in Rmill

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Write-Offs	Transfers from WPP Capitalised	Depreciation	Impairment loss	Total
Land	117 540 107	-	-	-	-	-	117 540 107
Infrastructure	1 106 819 031	1 000 048	(2 407 100)	-	(82 718 788)	(3 230 873)	1 106 819 031
Community	135 019 795	80 001	-	-	(4 000 780)	-	140 899 016
Work in progress	53 851 000	134 299 402	(8 65 000)	(34 030 004)	-	-	149 232 278
Other assets	16 375 302	5 478 933	-	-	(4 170 002)	-	18 684 233
Landfill handling	7 584 034	4 506 740	(12 500)	-	(3 888 884)	-	8 190 390
	1 406 773 240	174 536 081	(5 490 100)	(34 030 004)	(87 788 035)	(4 230 873)	1 406 773 240

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Write-Offs	Transfers from WPP Capitalised	Depreciation	Impairment loss	Total
Land	117 540 107	-	-	-	-	-	117 540 107
Infrastructure	1 106 867 011	30 320 274	(2 306 347)	-	(113 451 735)	(4 088 272)	1 106 819 031
Community	134 222 853	28 451 901	-	-	(7 054 900)	-	155 619 754
Work in progress	30 531 726	-	-	(64 300 822)	-	-	(33 769 096)
Other assets	14 051 000	6 505 138	(368 827)	-	(1 182 888)	-	18 975 323
Landfill handling	7 584 034	7 440 070	(8 335)	-	(2 010 031)	-	12 995 736
	1 406 504 537	169 635 938	(2 983 488)	(64 300 822)	(127 510 733)	(4 088 272)	1 406 773 240

Included in the Infrastructure is an amount for Landfill site with the carrying amount of R 4 410 889 (2019: R 4 855 045).

The Municipality incurred expenditure for repairs and maintenance of property, plant & equipment of R 25 605 606 (2019: R 41 900 621).

The 2019/2020 comparative amount of R 1,460 billion on property, plant and equipment has been restated from R 1,455 billion (see note 52).

The assessment of impairment of assets resulted in an impairment of loss of R 230 873 (see note 3f).



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Pledged as security

None of the property, plant and equipment has been pledged as security for any liabilities.

### Reconciliation of Work-in-Progress 2020

	Opening balance	Additions	Transfers from WIP Capitalised	Impairment Loss	Total
Infrastructure: Electricity	4 312 296	46 755 405	(231 771)	-	29 450 383
Infrastructure: Roads	45 476 706	73 725 177	(614 319)	-	110 915 020
Infrastructure: Buildings	1 247 321	6 524 326	(1 281 035)	-	6 490 612
Community Assets	1 459 364	4 916 899	-	-	6 376 263
Other Assets	1 359 203	337 675	(1 696 876)	-	-
	<u>53 854 890</u>	<u>134 259 482</u>	<u>(846 090)</u>	<u>-</u>	<u>183 232 278</u>

### Reconciliation of Work-in-Progress 2019

	Opening balance	Additions	Write-Offs	Transfers from WIP Capitalised	Impairment Loss	Total
Infrastructure: Electricity	5 785 014	31 539 723	-	(33 012 441)	-	4 312 296
Infrastructure: Roads	3 104 036	48 621 397	-	(6 248 727)	-	45 476 706
Infrastructure: Buildings	-	1 247 321	-	-	-	1 247 321
Community Assets	21 642 676	5 065 342	-	(25 248 654)	-	1 459 364
Other Assets	-	1 359 203	-	-	-	1 359 203
	<u>30 531 726</u>	<u>87 832 986</u>	<u>-</u>	<u>(64 509 822)</u>	<u>-</u>	<u>53 854 890</u>

The Municipality does not have slow moving projects.

The R846 090 written off consist of projects that have been completed and the Municipality is planning to continue with the projects.

### Projects Written Off:

- SAB Re-routing of H/T Cable NERSA Audit
- Rite to Mariveni Road (Professional Fees - GTM)

A register containing the information required by section 27 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

A detailed breakdown of property plant and equipment by asset class can be found in Annexure "B".

### 12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 962 381	(3 217 911)	744 470	3 760 040	(2 624 903)	1 135 137

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software and license	1 135 137	202 341	(593 008)	744 470

### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software and license	1 603 468	154 938	(623 289)	1 135 137

### Pledged as security

No intangible assets have been pledged as security for any liability.

The municipality amortizes all its intangible assets on a straight-line method and none of these are regarded as having an indefinite useful life. The useful lives of intangible assets changed from 10 to two years on average from previous years.

### 13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	195 000	-	195 000	195 000	-	195 000
Council Gowns	5 958	-	5 958	-	-	-
<b>Total</b>	<b>200 958</b>	<b>-</b>	<b>200 958</b>	<b>195 000</b>	<b>-</b>	<b>195 000</b>

### Reconciliation of heritage assets 2020

	Opening balance	Additions	Total
Mayoral chain	195 000	-	195 000
Council Gowns	-	5 958	5 958
	<b>195 000</b>	<b>5 958</b>	<b>200 958</b>

### Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	195 000	195 000
	<b>-</b>	<b>-</b>

### Expenditure incurred to repair and maintain heritage assets

No cost was incurred to repair and maintain the heritage assets during the current financial year (2019 : R- ).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>14. Other financial liabilities</b>		
<b>Designated at fair value</b>		
DBSA local registered loan stock	30 000 000	15 000 000
Loan Stock - Standard Bank	30 000 000	30 000 000
	<b>30 000 000</b>	<b>45 000 000</b>
<b>At amortised cost</b>		
Annuity loan - DBSA	28 476 073	30 466 689
Annuity loan - ABSA	15 182 352	16 846 525
Annuity loan - DBSA	39 271 550	40 000 000
Annuity loan - DBSA	19 620 943	-
Accrued interest	741 957	1 140 403
	<b>103 282 878</b>	<b>88 455 617</b>
<b>Total other financial liabilities</b>	<b>133 282 878</b>	<b>133 455 617</b>
<b>Non-current liabilities</b>		
Other	30 000 000	15 000 000
Annuity loans	93 441 226	86 845 168
	<b>123 441 226</b>	<b>101 845 168</b>
<b>Current liabilities</b>		
At amortised cost	9 851 649	22 810 651

### Annuity loan: DBSA

A loan of R41 000 000, with a current balance of R 28 476 073 (2019: R 30 466 689) taken up to finance capital projects. This loan bears interest at a fixed rate of 8.75% per annum and will be fully redeemed on 16 October 2030.

### Annuity loan: ABSA

This loan of R25 140 000, with a current balance of R 15 182 352 (2019: R 16 846 525), was taken up on 15 August 2010. The loan bears interest at a fixed rate of 10.62% and will be fully redeemed on 31 July 2025.

### Loan stock: DBSA (Excelis) R 000 investment

An annual investment of R 855 619, has been made to repay a loan of R 15 000 000 on maturity date. The loan bears interest at a variable rate and was redeemed on 16 October 2019.

### Loan stock: Standard Bank

A loan of R 30 000 000 has been taken up to finance capital projects. The loan bears interest at a fixed rate of 12.09% per annum and will be redeemed on 16 October 2025.

### Annuity loan: DBSA

A loan of R 40 000 000, with a current balance of R 39 271 550 (2019: R 40 000 000) has been taken up to finance capital projects. The loan bears interest at a fixed rate of 11.3% per annum and will be fully redeemed on 30 September 2028.

### Annuity loan: DBSA

A loan of R 20 000 000, with a current balance of R 19 620 943 was taken up on 16 August 2019. The loan bears interest at a fixed rate of 10.15% and will be fully redeemed on 20 September 2028.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### Undrawn borrowings

There were no undrawn borrowing facilities available for future use or to settle capital commitments at 30 June 2020.

None of the loans are secured by any fixed or floating assets of Greater Tzaneen Municipality.

The Municipality did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the financial liabilities were re-negotiated.

### 15. Finance lease obligation

#### Minimum lease payments due

- within one year	5 230 800	3 630 876
- In second to fifth year inclusive	4 718 188	4 080 236
	<u>9 949 028</u>	<u>7 691 114</u>
less: future finance charges	(2 136 823)	(1 181 090)
<b>Present value of minimum lease payments</b>	<b>7 812 203</b>	<b>6 530 024</b>

#### Present value of minimum lease payments

- within one year	3 888 987	2 978 540
- In second to 5 year inclusive	3 925 236	3 551 484
	<u>7 812 203</u>	<u>6 530 024</u>

Non-current liabilities

Current liabilities	3 925 236	3 551 484
	<u>3 888</u>	<u>2 978 540</u>
	<b>7 812</b>	<b>6 530 024</b>

The average term is 2 to 5 years, interest is fixed at contract date. Certain leases have fixed repayments and others escalate. No arrangements have been entered into for contingent rent.

The carrying value of these leased assets are property, plant and equipment.

The Municipality's obligations under finance leases are secured by lessor's charge over the leased assets.

The Municipality did not default on any of the capital repayments of the finance leases.

The Municipality has entered into new lease agreement for rental of IT equipment.

No terms and conditions of the finance leases were re-negotiated during reporting period.

### 16. Payables from exchange transactions

Payables	161 530 121	161 625 839
Staff leave	30 654 804	30 919 811
Retention	18 691 638	22 753 277
Unknown direct deposits	15 213 755	4 739 264
13th Cheque	8 635 057	8 034 086
	<u>234 925 375</u>	<u>228 072 277</u>

The 'payables' 2019 comparative amount of R 228 million has been revised to R 227.6 million (see note 62).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
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### Trade payables

The average credit period on purchases is 30 days from receipt of the invoice, as determined by Section 99 of the MFMA. No interest is charged for the first 30 days from receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with.

Included under payables are payments received which are non-interest bearing and normally settled on 30 day terms.

### Staff leave

Annual leave accrues to employees on a monthly basis subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the provisions of statutory and non-statutory leave.

### Retention

Retention is non-interest bearing and settled in terms of the contract agreement.

### Unknown direct deposits

The origin of the deposits could not be determined at year-end.

### 13th Cheque

A 13th cheque or annual bonus accrues to staff on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to staff and is paid after the completion of twelve months. The Municipality has an obligation to pay a service bonus in terms of its conditions of employment.

The carrying value of payables from exchange transactions approximate their fair values. The fair value is determined after considering the standard terms and conditions of agreements entered into by the Municipality and the parties.

The Municipality did not default on any accounts payable in respect of capital or portions.

No terms attached to the accounts payable were re-negotiated.

### 17. VAT payable

Net VAT payable	43 987	39 744 096
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The 'net vat payable' 2019 comparative amount of R 39.7 million has been restated from R 39.9 million (see note 82).

The financial statements have been prepared on a cash basis whilst VAT is payable to SARS on the payment's basis. Output VAT is only payable as and when the purchase consideration is received and input VAT can only be claimed and when payments are made. Interest on late payment is charged according to SARS policies.

### 18. Consumer deposits

Electricity	27 397 000	27 068 007
Guarantees held in lieu of electricity deposits	3 025 550	3 211 830

Consumer deposits are paid by customers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where customers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding accounts.

Business consumers are allowed to provide guarantees on application for new electricity connections instead of deposits. In cases where consumers default on their accounts, the Municipality can request guarantee amounts from the consumers' bank as payment for the outstanding accounts.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts  
Grants

5 455 827

5 083 273

#### Movement during the year

Balance at the beginning of the year	5 083 273	3 955 480
Additions during the year	133 927 511	118 602 405
Income recognition during the year	(114 489 674)	(94 239 934)
Administration fees recognised during the year	(4 713 150)	(4 815 750)
Roll-over not approved	-	(2 725 000)
VAT	(14 226 197)	(12 863 298)
Roll-over not applied for	(128 036)	(1 030 812)
	<b>5 455 827</b>	<b>5 083 273</b>

The amount of unspent conditional grants and receipts is included in the operating account of the Municipality until utilized. The total grants recognised in the statement of financial performance are disclosed in note 25.

### 20. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Additions	Increase due to re-measurement	Total
Provision for rehabilitation of landfill site	5 089 171	508 917	-	5 598 088
Provision for performance bonuses	948 670	-	21 807	970 477
	<b>6 037 841</b>	<b>508 917</b>	<b>21 807</b>	<b>6 568 565</b>

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Provision for rehabilitation of landfill site	4 626 520	462 651	5 089 171
Provision for performance bonuses	445 724	502 948	948 670
	<b>5 072 244</b>	<b>965 597</b>	<b>6 037 841</b>
Non-current liabilities		5 598 088	5 598 171
Current liabilities		970 477	948 670
		<b>6 568 565</b>	<b>6 037 841</b>

#### Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the obligation to rehabilitate landfill sites used for waste disposal. Provision is made in terms of the Municipality's licensing stipulations on the landfill site. The provision has been determined on the basis of independent valuations by environmental consultants. It is calculated as the present value of the future obligation, discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

#### Provision for performance bonuses

Performance bonuses accrue to Section 57 managers on an annual basis subject to certain conditions. The provision is the actual amount due at the reporting date to the managers. Bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period. Performance bonuses are measured at face value as it is expected that these would be paid shortly after the financial year end as performance evaluations have been completed.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>21. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
The total amount recognised in the statement of financial position is as follows:		
Carrying value		
Defined benefit obligation - long service award	17 202 000	16 353 718
Defined benefit obligation - post retirement medical aid plan	50 926 000	65 120 960
	<b>76 128 000</b>	<b>81 474 678</b>
<b>Post-retirement medical aid plan</b>		
The Municipality provides post-retirement benefits by subsidising medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the Municipality is required to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality's decision on protected rights.		
The post-employment health care benefits valuation considers current employees, retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation which was performed by ARCH Actuarial Consulting is 30 June 2020.		
Plan assets		
Currently, there are no long-term assets off-balance in respect of the employer's post-employment health care liability.		
The Projected Unit Credit Method was used to value the liability for eligible employees accrued over their expected working lifetime.		
Membership of health care arrangements entitled to a post-employment medical aid subsidy at reporting date		
In-service members	410	392
In-service non-members	232	262
Continuation members	48	51
	<b>705</b>	<b>705</b>
The amount recognised in the statement of financial position is as follows:		
Carrying value		
Present value of the defined benefits obligations - wholly unfunded	50 926 000	65 120 960
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	65 120 960	70 844 367
Benefits paid	(2 200 887)	(2 217 321)
Net expense recognised in the statement of financial performance	(3 994 073)	(3 506 086)
	<b>58 926 000</b>	<b>65 120 960</b>
Expense recognised in the statement of financial performance		
Current cost	2 979 494	3 613 750
Interest cost	8 071 507	6 738 938
Actuarial (gains) / losses	(13 045 074)	(13 850 774)
	<b>(3 994 073)</b>	<b>(3 506 086)</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) / losses	13 045 074	13 858 774
<b>Key assumptions used</b>		
<b>Assumptions used at reporting date</b>		
Discount rate used	10,53 %	9,48 %
Health care cost inflation rate	8,57 %	8,93 %
Net discount rate	3,72 %	2,38 %
Average retirement rate	62	62
<b>Best estimate of contribution expected to be paid</b>		
Expected benefit to be paid	2 416 000	2 200 887

### Other assumptions

The sensitivity analysis is based on the total liability which includes water and sewerage.

Assumed healthcare cost trend rates have a significant effect on amounts recognised in surplus or deficit. The effect of a one percentage movement in the assumed rate of health care cost inflation is as follows:

<b>Increase</b>		
Effect of aggregate cost and interest	11 697 800	13 300 300
Effect on the defined benefit obligation	72 756 000	82 169 000
<b>Decrease</b>		
Effect of aggregate service cost and interest cost	8 277 400	(8 700 700)
Effect on the defined benefit obligation	55 501 000	(80 994 000)

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	58 926 000	65 120 960	70 844 367	72 553 728	74 141 088
Surplus (deficit)	(58 926 000)	(65 120 960)	(70 844 367)	(72 553 728)	(74 141 088)

### Long service awards

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 656 (2019: 654) employees entitled to long service leave awards as at 30 June 2020. The long service leave awards liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly	17 202 000	16 353 718

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16 353 718	12 977 158
Benefits paid	(2 084 693)	(1 738 011)
Net expense recognised in the statement of financial performance	2 932 975	5 114 573
	<b>17 202 000</b>	<b>16 353 718</b>



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial

Notes to the Consolidated Financial

Figures in Rand	2020	2019			
<b>Net expense recognised in the statement of financial performance</b>					
Current service cost	1 568 733	1 206 302			
Interest cost	1 246 470	1 022 199			
Actuarial (gains) losses	117 772	2 886 072			
	<b>2 932 975</b>	<b>5 114 573</b>			
<b>Calculation of actuarial gains and losses</b>					
Actuarial (gains) losses – Obligation	<b>117 772</b>	<b>2 886 072</b>			
<b>Key assumptions used</b>					
Assumptions used at the reporting date:					
Discount rates used	7,18 %	8,13 %			
Expected Increase in salaries	3,88 %	5,55 %			
Net discount rate	3,20 %	2,44 %			
	82				
<b>Other assumptions</b>					
The sensitivity analysis is based on total liability which includes water sewerage.					
Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost rates would have the following effects:					
<b>Increase</b>					
Effect of aggregate service cost and interest	3 310 800	2 827 800			
Effect on defined contribution obligation	19 778 000	8 067 000			
<b>Decrease</b>					
Effect of aggregate service cost and interest	2 874 700	(2 800 800)			
Effect on defined benefit obligation	17 832 000	(18 954 000)			
Amounts for the current and previous four years as follows:					
	2020	2019	2018	2017	2016
	R	R	R	R	R
Defined benefit obligation	17 202 000	16 353 718	12 977 156	11 669 376	11 622 662
Surplus (deficit)	(17 202 000)	(16 353 718)	(12 977 156)	(11 669 376)	(11 622 662)

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### Defined contribution plan

The municipality is under no obligation to provide any benefits.

The amount recognised as an expense for defined contribution plans is

55 868 524

51 922 920

The only obligation of the Municipality in respect of the defined benefit plans is to make the specified contributions. Where councillors/ employees leave plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the statement of financial performance of R 55.8 million represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans.

Included in defined contribution plan of R55 868 524 above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution plans.

The amounts disclosed above include an amount of R 667 515 (2019: R 671 954) which represents the contributions for councillors.

### Municipal Employees pension fund

The contribution paid by the members of 7.5% and council of 22% or 18% is sufficient to fund the benefits accruing from the fund in future.

2 542 631

2 458 810

### Municipal Employees Gratuity Fund

The contribution paid by the members of 7.5% and council 22% or 18% is sufficient to fund the benefits accruing from the fund in future.

At valuation date of 30 June 2018 gratuity fund was funded that fund was certified to be in a sound financial position.

7 855 000

7 780 568

### IMATU Retirement Fund

The above-mentioned fund is a defined contribution fund according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act.

44 802 482

41 031 778

### Municipal councillors pension fund

The municipal councillors' pension fund operates as a defined contribution scheme. The contribution rate paid by the members is 28.75% and no contribution is made by Council.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial

Figures in Rand	2020	2019
<b>22. Service charges</b>		
Sale of electricity	506 823 128	439 099 834
Sale of prepaid electricity	16 500 167	10 764 021
Indigent charges	1 327 746	2 882 501
Refuse removal	33 012 083	33 052 322
Other service charges	248 295	507 734
	<b>567 908 399</b>	<b>486 306 412</b>

The amounts disclosed above for sale of electricity, indigent charges and refuse removal are in respect of services rendered and are billed to the consumers on a monthly basis according to council's approved tariffs.

Greater Tzaneen Municipality acts as service provider for Mopani District Municipality with regard to the water and sewer services. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

## 23. Other income

Credit control actions	480 474	154 709
Environmental health services	20 211	19 774
Grant admin fee	1 007 543	5 452
Library services	8 030	7 413
Motor vehicle and drivers license	424 863	8 922 135
Recoveries	162 005	381 494
Sundry income	135 843	192 322
Valuation certificates	87	
Grant revenue	20 408 583	14 408 711
	<b>27 795 527</b>	<b>27 801 807</b>

The amounts disclosed above as income are in respect of services rendered, other than disclosed in note 22, which are billed to or paid for by the users of services as required according to council's approved tariffs.

## 24. Property rates

### Rates levied

Residential	54 137 484	48 016
Commercial	40 734 580	37 736 924
State	9 766 851	9 251 848
Other	10 105 638	15 572 224
	<b>114 746 520</b>	<b>109 180 412</b>
Property rates - penalties imposed	10 883 012	10 022 809
	<b>125 629 532</b>	<b>119 183 221</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2020 30 June 2021

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### Valuations

	R'000	R'000
Residential	7 049 603	6 940 743
Commercial	3 098 140	3 033 734
State	739 186	739 186
Municipal	386 999	386 999
Agriculture	4 861 419	4 855 175
Other	152 260	184 108
	<b>16 287 607</b>	<b>16 238 943</b>

Valuations on land and buildings are performed every four years. The 2020 valuation came into effect on 1 July 2017. Interim valuations are processed on a monthly basis to account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rates are levied on a monthly basis and are payable by the 25th of each month, owners are allowed to pay the annual instalment by 30 September each year. Rebates are granted on different categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of 10.5%.

### 26. Government grants and subsidies

#### Operating grants

Equitable share	383 693 036	338 344 000
Disaster Relief Grant	298 000	-
Finance Management Grant	2 146 000	2 145 000
SETA	1 400 480	636 404
Municipal Infrastructure Grant	77 869 317	78 150 621
National - Electrification Grant	16 971 887	9 804 893
IIPSA Grant	10 000 000	-
EPWP	5 749 000	5 510 000
Cleanest town	55 870	193 226
	<b>498 182 710</b>	<b>432 583 934</b>

The Municipality does not foresee a significant change in the level of grant funding. Unconditional grants are used to subsidise the provision of basic services. Conditional grants are for operating and capital expenditure. Other than the amount unspent, the conditions of the grants have been met.

#### Unconditional Grants

##### Equitable share

Current year allocation	383 693 036	338 344 000
Transfer to revenue	(383 693 036)	(338 344 000)

##### No conditions to be met - transferred to liabilities

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the constitution (Act 108 of 1996) to the Municipality by the National Treasury.

In terms of the Constitution, this grant is used for the provision of basic services to indigent community members.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Conditional Grants</b>		
<b>SETA</b>		
Current-year receipts	1 402 611	636 404
Conditions met - transferred to revenue	(1 400 490)	(636 404)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2 121</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 19).

The grant is used to pay for training courses. It supplements / augments the funds on the training vote. It is used to fund the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	126 036	-
Current-year receipts	94 269 000	92 315 000
Conditions met - transferred to revenue	(77 869 317)	(76 150 621)
VAT on Grant (own Revenue)	(11 388)	(11 422 593)
Administration	(4 713 150)	(4 615 750)
Roll over not applied for	(126 036)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>135</b>	<b>126 036</b>

Conditions still to be met - remain liabilities (see note 19).

Municipal Infrastructure Grant funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

### Integrated National Electrification Programme Grant

Balance unspent at beginning of year	4 950 460	3 755 458
Current-year receipts	1 000 000	16 998 000
Conditions met - transferred to revenue	(18 971 997)	(9 604 683)
VAT on grants	(2 546 790)	(1 440 703)
Roll over not approved	-	(2 725 000)
Roll over not applied for	-	(1 030 612)
<b>Conditions still to be met - transferred to liabilities</b>	<b>5 432 664</b>	<b>4 652 480</b>

Conditions still to be met - remain liabilities (see note 19).

The grant was used for electrification of villages.

### Cleanest Town

Balance unspent at beginning of year	6 774	200 000
Current-year receipts	70 000	-
Conditions met - transferred to revenue	(55 870)	(193 226)
<b>Conditions still to be met - transferred to liabilities</b>	<b>20 904</b>	<b>7 774</b>

Conditions still to be met - remain liabilities (see note 19).

Funds received through the greenest town competition are used for the construction of a wall for grease and oil trays and traps.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Finance Management Grant

Current-year receipts	2 145 000	2 145 000
Conditions met - transferred to revenue	(2 145 000)	(2 145 000)
No condition to be met - transferred to liabilities	-	-

The Finance Management Grant is paid by the Treasury to municipalities to help implement the finance reforms required by the Municipal Finance Management Act (MFMA), 2003. The Finance Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. Salary of the financial management interns).

### Disaster Relief Grant

Current-year receipts	298 000	-
Conditions met - transferred to revenue	(298 000)	-
No condition to be met - transferred to liabilities	-	-

The municipal disaster relief grant was used to assist in the response to COVID-19 pandemic.

### EPWP Grant

Current-year receipts	5 749 000	5 510 000
Conditions met - transferred to revenue	(5 749 000)	(5 510 000)
No condition to be met - transferred to liabilities	-	-

The expended public works programme grant was used to create employment through operational programmes that increase job creation and skills development.

The grant is mainly used for rural waste removal.

### Transformer grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(10 000 000)	-
No condition to be met - transferred to liabilities	-	-

This grant was used to replace transformers at Tzaneen.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming three financial years.

### 26. Donations received

#### 2019/2020

Greater Tzaneen Municipality received a donation of Palisade Fence at Minitzani Park IERF 425 from the community of Arbor Park Fundraising Project on the 12 December 2019. The palisade fence was accounted for, at cost price of R80 000 provided by the Fundraiser.

#### 2018/2019

Greater Tzaneen Municipality received a donation of IT equipment from The Office of the Premier on the 21st of February 2019. The IT equipment was accounted for at cost of R 110 000 as provided by the Office of the Premier.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>27. Revenue</b>		
Service charges	557 909 399	486 306 412
Rental of facilities and equipment	1 152 233	2 132 696
Interest received (trading)	19 234 067	17 826 053
Agency services	9 118 576	9 254 073
Licenses and permits	1 231 992	1 020 674
Other income	27 795 527	27 601 807
Interest received - investment	8 677 865	9 616 814
Property rates	114 746 520	109 160 412
Property rates - penalties imposed	10 883 012	10 022 809
Government grants & subsidies	498 182 710	432 583 934
Public contributions and donations	60 000	110 987
Fines	25 415 330	16 255 003
	<b>1 274 427 231</b>	<b>1 121 890 674</b>
<b>The amount included in revenue arising from exchanges of goods or services is as follows:</b>		
Service charges	557 909 399	486 306 412
Rental of facilities and equipment	1 152 233	2 132 696
Interest received (trading)	19 234 067	17 826 053
Agency services	9 118 576	9 254 073
Licenses and permits	1 231 992	1 020 674
Other income	27 795 527	27 601 807
Interest received - investment	8 677 865	9 616 814
	<b>626 119 689</b>	<b>583 767 089</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation</b>		
Property	114 746 520	109 160 412
Property - penalties imposed	10 883 012	10 022 809
<b>Transfer revenue</b>		
Government grants & subsidies	498 182 710	432 583 934
Public contributions and donations	60 000	110 987
Fines	25 415 330	16 255 003
	<b>649 307 572</b>	<b>568 133 146</b>
<b>28. Employee costs</b>		
Salaries and wages	225 958 582	211 558 810
Social contributions	47 180 311	44 265 273
Travel allowance	12 308 860	12 767 198
Overtime payments	27 607 855	24 754 783
Housing allowances	1 686 097	1 886 391
	<b>314 771 685</b>	<b>296 232 455</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	1 469 161	1 497 396
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	241 785	201 785
Telephone allowance	24 000	24 000
	<b>1 794 946</b>	<b>1 783 181</b>

The Municipal Manager was appointed on 1 April 2018.

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2018

### Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

#### Remuneration of Chief Finance Officer

Annual Remuneration	996 448	957 568
Car Allowance	320 364	329 364
Contributions to UIF, Medical and Pension Funds	234 873	221 652
Telephone allowance	24 000	24 000
	<b>1 684 000</b>	<b>1 532 584</b>

The Chief Finance Officer was appointed on 1 May 2018.

#### Director Community Services

Annual Remuneration	1 039 500	1 000 826
Car Allowance	72 000	72 000
Contributions to UIF, Medical and Pension Funds	185 625	179 625
Telephone Allowance	24 000	24 000
	<b>1 321 125</b>	<b>1 286 551</b>

The Director Community Services was appointed on 1 April 2018.

#### Director Engineering Services

Annual Remuneration	903 387	882 283
Car Allowance	72 000	72 000
Contributions to UIF, Medical and Pension Funds	285 221	245 655
Telephone allowance	24 000	24 000
	<b>1 836 000</b>	<b>1 511 149</b>

The Director Civil Engineering was appointed on 1 June 2018.

#### Director Planning and Economic Development

Annual Remuneration	1 016 221	987 761
Car Allowance	96 000	96 000
Contributions to UIF, Medical and Pension Funds	184 603	177 025
Telephone allowance	24 000	24 000
	<b>1 320 824</b>	<b>1 284 786</b>

The Director Planning and Economic Development was appointed on 1 March 2018.

#### Director Corporate Services

Annual Remuneration	904 000	1 008 401
Car Allowance	171 000	72 000
Contributions to UIF, Medical and Pension Funds	148 785	181 785
Telephone allowance	24 000	24 000
	<b>1 326 689</b>	<b>1 286 186</b>

The Director Corporate Services was appointed with effect from 01 June 2017.



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2020/21 30 June 2021

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Director Electrical Engineering</b>		
Annual Remuneration	1 076 506	1 111 512
Car Allowance	168 241	151 778
Contributions to UIF, Medical and Pension Funds	345 317	257 168
Telephone allowance	24 000	24 000
	<b>1 614 064</b>	<b>1 544 458</b>

The Director Electrical Engineering was appointed with effect from 1 April 2017.

### 29. Remuneration of councillors

<b>Councillor</b>		
Mayor	938 020	904 434
Executive Committee allowance	2 084 758	2 037 281
Speaker and full-time councillors' allowances	5 049 148	4 872 820
Other councillors' allowances	18 804 610	18 321 987
	<b>26 876 534</b>	<b>26 136 522</b>

Remuneration for mayor, speaker and chief whip disclosed as follows:

<b>Mayor</b>		
Annual remuneration	670 388	644 603
Car allowance	223 462	214 000
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	3 370	4 183
	<b>938 020</b>	<b>904 434</b>

<b>Speaker</b>		
Annual remuneration	515 809	515 681
Car allowance	178 769	171 894
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	2 746	3 386
	<b>738 124</b>	<b>731 761</b>

<b>Chief Whip</b>		
Annual remuneration	502 790	483 452
Car allowance	167 597	151 151
Cellphone allowance	40 800	40 800
Contribution to medical aid and pension fund	3 774	4 616
	<b>714 961</b>	<b>680 019</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### In-kind benefits

The Mayor, Speaker, Chief Whip and five Councillors are full-time employees. Each is provided with an office at the cost of the Council.

The Mayor and Speaker have use of Council owned vehicles for official duties.

The Mayor has one full-time secretary, one manager and a gender, youth and disability programme.

### Remuneration of councillors

The allowances and benefits of councillors of the Municipality, whether financial or in-kind, are within the upper limits of the framework envisaged in section 219 of the Constitution. Refer to Government Gazette nr 41335.

### 30. Employees remuneration

#### Councillors

2020

	Emoluments	Travel	Cellphone- Allowance	SETA	Total
MR M Mangena ( Mayor )	670 387	223 463	40 800	3 370	937 920
MS DJ Mmelle ( Speaker )	550 500	178 769	40 800	2 748	758 824
MR M Nhem ( Chief Whip )	502 790	167 597	40 800	3 774	714 861
MM Letsolo	260 491	93 497	40 800	2 169	416 857
MS ML Hlangwane	280 491	93 497	40 800	2 177	416 865
D Malemela	280 491	93 497	40 800	2 137	416 925
MR M Prinsloo	260 491	93 497	40 800	2 165	416 953
MS Tiba	280 491	93 497	40 800	2 170	416 958
DG Mkhabela	502 790	167 597	40 800	3 810	714 997
MR GE Ntimbane	502 790	167 597	40 800	3 807	714 994
MR NJ Mbhalali	502 790	167 597	40 800	3 740	714 927
MR Machimane	502 790	167 597	40 800	4 531	716 718
MR TT Maunetlala	502 790	167 597	40 800	3 738	714 925
MJ Mokgoiboto	212 153	70 717	40 800	-	323 670
MS SP Masetla	212 153	70 717	40 800	1 197	324 867
MS MS Raganya	35 358	11 788	6 800	285	54 210
MS MS Raganya	228 893	73 959	34 000	1 388	338 020
MR TL Matlala	212 153	70 717	40 800	1 683	325 353
MS MF Mbhalali	272 283	90 754	40 800	2 118	405 935
MS MM Mohale	212 153	70 717	40 800	1 688	325 358
MR NR Rikhotso	212 153	70 717	40 800	1 683	325 353
MS NH Zandamela	212 153	70 717	40 800	1 683	325 353
MR OK Banyini	212 153	70 717	40 800	1 683	325 353
MR SC Makwala	272 283	90 754	40 800	2 107	405 924
MR NA Masila	272 283	90 754	40 800	2 107	405 924
MS ML Pudikabekwa	272 283	90 754	40 800	2 107	405 924
MR PJ Ramodipa	272 262	90 754	40 800	2 124	405 940
MR MA Makwela	212 153	70 717	40 800	1 683	325 353
MS RE Pohl	212 153	70 717	40 800	1 683	325 353
MR N Nkhawashu	212 153	70 717	40 800	1 683	325 353
MR NM Mahasha	162 529	54 176	25 330	1 378	243 413
MR Makwala	272 283	90 754	40 800	2 126	405 943
MR MC Nkwashu	268 263	90 754	40 800	2 124	401 941
MR TH Mushwana	212 153	70 717	40 800	1 683	325 353
MS MS Baloyi	212 153	70 717	40 800	1 683	325 353
MR J Banyini	212 153	70 717	40 800	1 683	325 353
MR PW Cronje	212 153	70 717	40 800	1 683	325 353
MS DF Kgafane	212 153	70 717	40 800	1 521	325 191
MS MR Kgafane	212 153	70 717	40 800	1 683	325 353

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 2020

## Notes to the Unaudited Financial

MR LK Lepulan	212 153	70 717	40 800	1 683	325 353
MR MJ Maake	212 153	70 717	40 800	1 683	325 353
MR MH Mafokwane	212 153	70 717	40 800	1 685	325 355
MS JT Makhubela	212 153	70 717	40 800	1 258	324 928
MR GP Makhubela	35 339	11 808	6 800	361	54 308
MR GP Makhubela	226 693	73 959	34 000	1 746	336 398
MR GM Malatji	272 263	90 754	40 800	2 107	406 924
MR TE Malatji	212 153	70 717	40 800	1 684	325 354
MS SM Mapitja	212 153	70 717	40 800	1 249	324 919
MS NP Mathobela	212 153	70 717	40 800	1 684	325 354
MS MM Thlokwa	212 153	70 717	40 800	1 683	325 353
MR NG Maunatjale	212 153	70 717	40 800	1 688	325 358
MR TJ MC Clintock	212 153	70 717	40 800	1 683	325 353
MR MF Mochabela	212 153	70 717	40 800	1 683	325 353
MS FT Mohlaba	212 153	70 717	40 800	1 686	325 356
MR SN Mohonone	212	70 717	40 800	1 683	325 353
MS MC Morwatshehe	212	70 717	40 800	1 683	325 353
MS TR Mpenyane		70 717	40 800	1 249	324 919
MR NG Mukanal	212 153	70 717	40 800	1 683	325 353
MR JL Ngobenl	212 153	70 717	40 800	1 683	325 353
MR Ngobenl	212 153	70 717	40 800	1 683	325 353
MS ET Ngobenl	212 153	70 717	40 800	1 249	324 919
MR ME Phakula	212 153	70 717	40 800	1 683	325 353
MS SB Ramoahaba	212 153	70 717	40 800	1 683	325 353
MS MO Raolane	212 153	70 717	40	1 683	325 353
MS KI Rapataa	212 153	70 717	40 800	1 688	325 358
MR Rapitai	212 153	70 717	40 800	1 684	325 354
MS JM Ratopola	212 153	70 717	40 800	1 683	325 353
MS MM Sekhwela	212 153	70 717	40 800	1 626	323 296
CT Shielnga	212 153	70 717	40 800	1 683	325 353
MR O Sithole	212 153	70 717	40 800	1 686	325 356
MR PP Machethe	212 153	70 717	40 800	1 686	325 356
	<b>18 033</b>	<b>5 009 284</b>	<b>2 799 730</b>	<b>134 028</b>	<b>26 976 534</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

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		Other benefits*	Cellphone allowance	SETA	Total
MS ■ Letsoalo	269 703	89 901	40 800	2 648	403 052
MS ML Hlangwane	269 703	89 901	40 800	2 650	403 054
MR D Malemela	61 378	20 459	6 800	858	89 295
MR M Prinsloo	269 703	89 901	40 800	2 636	403 040
MS MM Sekhwela	224 752	74 818	34 000	2 108	335 778
MS MS Tiba	269 703	89 901	40 800	2 647	403 051
MR C Machimang	483 452	161 151	40 800	5 456	690 859
MR GE Nimbane	483 452	161 151	40 800	4 601	690 004
MR TT Maunetlala	483 452	161 151	40 800	4 674	689 977
MR NJ Mbhaletl	483 452	161 151	40 800	4 677	689 980
MR DG Mkhabela	483 452	161 151	40 800	4 620	690 023
MR MG Mangena ( Mayor )	644 603	214 868	40 800	4 163	904 434
MISS MJ Molgoelobo	203 993	67 997	40 800	-	312 790
MS SP Masella	203 993	67 997	40 800	1 458	314 248
MS MS Reganya	203 993	67 997	40 800	1 458	314 248
MR TL Mathe	203 993	67 997	40 800	2 046	314 838
MS ■ Mohale	203 993	67 997	40 800	2 044	314 834
MR NR Rikhotso	203 993	67 997	40 800	2 044	314 834
■ NH Zandamela	■ ■	67 997	40 800	2 043	314 833
■ OK Banyini	■ ■	67 997	40 ■	2 044	314 ■
■ MA Makwela	203 993	67 997	40 800	2 043	314 833
MS ■ Pohl	203 993	67 ■	40 800	2 043	314 833
MR ■ Nkhawashu	203 993	67 997	40 800	2 043	314 833
MR TH Mushwane	203 993	67 ■	40 800	2 047	314 837
MR MS Baloyi	203 993	67 997	40 800	2 045	314 835
MR J Banyini	203 993	67 997	40 800	2 046	314 836
MR PW Cronje	203 993	67 997	40 800	2 043	314 ■
■ DF Kgafane	265 ■	6 974	40 800	2 082	314 ■
■ MG Kgatla	■ ■	22 289	13 909	884	103 730
MS MR Kgatla	203 993	67 997	40 800	2 044	314 834
MR LK Lepulana	203 ■	67 997	40 800	2 044	314 834
MR MJ Maske	203 993	67 997	40 800	2 043	314 ■
MR MH Mafokwane	203 993	67 ■	40 800	2 046	314 836
MS JT Makhubela	203 993	67 997	40 800	1 534	314 324
MR GP Makhubela	203 993	67 997	40 800	2 043	314 833
MR TE Malatji	203 993	67 997	40 800	2 044	314 834
MR D Malemela	169 994	58 685	34 000	1 038	262 207
MS SM Mapitja	203 993	67 997	40 800	1 528	314 318
MS NP Mathebula	231 235	40 756	40 800	2 564	315 375
MS MM Thlokwa	203 993	67 997	40 800	2 051	314 841
MR NG Maunatlala	203 993	67 997	40 800	2 048	314 838
MR TJ MC Clintock	203 993	67 997	40 800	2 043	314 833
MR MF Mochabela	203 993	67 997	40 800	2 043	314 833
MS FT Mohlaba	203 993	67 997	40 800	2 043	314 833
MR SN Mohonone	203 993	67 997	40 800	2 049	314 839
MS MC Morwatshepe	203 993	67 997	40 800	2 046	314 834
MS TR Mpenyana	203 993	67 997	40 800	1 523	314 313
MR NG Mukansi	203 993	67 997	40 800	2 043	314 833
MR JL Ngobeni	203 993	67 997	40 800	2 043	314 833
MS ET Ngobeni	■ ■	67 ■	40 800	1 523	314 313
MR SE Ngobeni	203 993	■ ■	40 800	2 046	314 836
MR ME Phakula	203 993	67 997	40 800	2 043	314 833
MS SB Ramoshaba	203 993	67 997	40 800	2 044	314 834
MS MQ Rualane	203 993	67 997	40 800	2 044	314 834
MS KI Rapatsa	203 993	67 997	40 800	2 045	314 835
MR RS Rapitsi	203 993	67 997	40 800	2 044	314 834
MS JM Ratopola	203 993	67 997	40 800	2 043	314 833

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

MS MM Sekhwele	33 999	11 333	6 800	393	52 525
MS GT Shisanga	203 993	67 000	40 800	2 044	314 834
MR O Sithole	203 993	67 997	40 800	2 043	314 833
MR PP Mechethe	135 252	45 664	27 045	1 717	209 098
MS MF Mphahla	261 791	87 264	40 800	2 572	392 427
MR SC Makwale	261 791	87 264	40 800	2 565	392 420
MR NA Masila	261 791	87 000	40 800	2 565	392 420
MS ML Pudikabekwa	261 791	87 000	40 800	2 565	392 420
MR PJ Ramodipa	261 791	87 264	40 800	2 584	392 439
MR NM Mahasha	261 791	87 264	40 800	2 573	392 428
MR MM Makwale	261 791	87 264	40 800	2 591	392 446
MR MC Nkwashu	261 391	87 264	40 800	2 611	392 066
MR GM Malatji	261 791	87 264	40 800	2 572	392 427
MS DJ Mmolele (Speaker)	515 681	171 694	40 800	3 366	731 541
MR GS Nhemo (Chief Whip)	483 435	161 000	40 800	4 626	690 024
	<b>17 456 703</b>	<b>5 701 007</b>	<b>2 616 364</b>	<b>144 238</b>	<b>26 138 302</b>

### 31. Impairment loss

#### Impairments

Property, plant and equipment	9 236 673	4 399 272
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In terms of GRAP21, "Impairment of non-cash generated assets", Municipalities are required to assess the impairment of assets to comply with GRAP standards and assets management policy. Greater Tzaneen Municipality has assessed the impairment of its assets for the financial year ended 30 June 2020. The assessment of impairment of assets has resulted in an impairment loss of R 9 236 673 as a result significant loss in carrying amount of electricity infrastructure of R5 789 due to physical damage and Roads Infrastructure of R3 302 due to significant change in condition and reconstruction.

### 32. Finance

Finance leases	1 336 411	1 012 410
Other interest paid	13 671	10 981 350
	<b>14 906</b>	<b>11 973 760</b>

### 33. Repairs and maintenance

Machinery and equipment	69 867	76 119
Lawnmowers	41 515	82 979
Distribution network	7 187 975	14 689 708
Stormwater, drainage and bridges	574 094	657 206
Tarred roads	6 497 242	1 103 738
Gravel roads	5 893 621	11 332 085
Streetslights	235 025	312 686
Council-owned buildings	1 105 821	1 381 593
Council-owned vehicles	2 970 514	3 661 063
Other	1 009 832	510 684
	<b>26 606 606</b>	<b>41 909 000</b>

The 'repairs and maintenance' 2019 comparative of R 41.9 million has been restated from R 42.1 million (see note 62).

### 34. Purchases

Electricity - Eskom	392 274 281	348 443 869
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# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

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2020

2019

Bulk purchases are the cost of electricity not generated by the Municipality. The electricity which is purchased from Eskom is sold to consumers.

Water purchases are not included in bulk purchases as the Municipality acts as resource provider for Mopani District Municipality with regards to this service. Mopani District Municipality is the water and sewer service authority and those services reflect in their records.

### 35. Contracted services

Valuation roll	248 033	437 342
Traffic and security services	18 255	13 606 447
Refuse removal	14 013 397	12 875 848
Cleaning services	14 617 023	12 608 749
Council owned land	841 026	980 332
Information technology	2 227 032	1 176 366
Meter reading	200 816	842 498
Town planning	223 663	490 952
Aero drum	9 108	28 060
EPWP	3 483 168	4 033 010
Credit control	4 787 102	2 982 638
	<b>68 906 462</b>	<b>50 076 239</b>

### 36. Grants and subsidies paid

Other subsidies		
Other grants	22 694	39 821
Eskom EBSST	3 968 168	3 304
Mayor bursary account	161 335	620 637
SPCA	100 000	158 000
Sport Council	180 000	108 844
SETA (Training)	1 400 490	404
Mayor special account	509 268	341 452
Solidarity: EPWP	6 749 000	5 510 000
	<b>772 798</b>	<b>50 287 361</b>

The mayor's bursary account is in respect of providing further tertiary education.

### Other grants summarized as follows

Finance Management Grant	2 145 000	2 145 000
Integrated National Electrification programme (INEP) (DBSA project)	-	857 572
MIG project transfer to RAL	3 279 555	27 014 727
Integrated National Electrification programme (INEP)	16 971 897	9 804 683
Disaster Relief Grant (COVID-19)	298 000	-
	<b>22 694 552</b>	<b>39 821</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial

Figures in Rand	2020	2019
<b>37. General expenses</b>		
News letter	59 040	106 390
Advertising	1 107 361	1 147 402
Long service awards	29 379	25 438
Auditor's remuneration	6 474 173	6 780 394
Employee assistance programme	26 201	88 615
Computer rental	292 284	972 988
Consulting fees	43 059 851	39 147 870
Consumables	1 006 777	1 276 781
Task job evaluation	1 284 817	78 710
Public entertainment	349 564	938 003
Disaster Relief	1 941 735	813 345
Rent of office building	216 000	94 268
Insurance	2 262 418	44 890
Conferences and seminars	403 435	687 333
Insurance excess payments	5 767	1 012 321
Electricity- Eekom	1 181 988	1 216 176
Fuel and oil	10 270 392	11 402 836
Postage and courier	317 379	255
Printing and stationery	1 275 221	1 748 128
Protective clothing	209 244	130
Vehicle license & registration fees	178 328	378 026
Subscriptions	78 008	561
Telephone and fax	2 075 408	2 145 797
Training	1 669	2 854 223
Travel - local	8 603 282	7 331 213
Insurance claims - Own expenditure	78 587	
Membership fees - Saiga	3 269 126	3 089
Telephone exchange rental	1 220	40 481
Public relations, tourism and marketing	343 606	8 467 173
Small tools and equipment	283 251	678
Lease rentals on operating leases	800 049	504 173
Bank administration	1 825 612	1 772 510
Licenses and permits	2 230 020	2 139 162
Cultural day	1 030 730	
Other expenses	6 078 426	16 237 728
Youth gender & disability	123 064	244 014
Council owned land	468 025	416 387
	<b>108 766 414</b>	<b>118 174 314</b>

Certain comparative figures have been reclassified for presentation purposes in note 37.

### Other general expenditure is summarized as follows

Water and sewerage expenses	2 010 778	11 378 337
Interest paid	3 717 605	4 795 878
Electricity	52 932	-
Inventory losses	65 113	-
Other expenses	231 997	63 713
	<b>6 078 426</b>	<b>16 237 728</b>

### Consulting fees is summarized as follows

MSCOA	12 053 153	5 727 548
Assets	1 676 694	2 686 385
Electricity	2 537 507	2 846 200
Legal fees	20 832 712	20 706 635
Other	5 959 785	7 181 103
	<b>43 059 851</b>	<b>39 147 870</b>

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

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### 38. Cash generated from operations

Surplus (deficit)	130 984 256	(79 540 232)
<b>Adjustments for:</b>		
Depreciation and amortisation	98 378 043	128 241 991
Loss on sale of assets and liabilities	3 608 166	2 226 518
Fair value adjustments	50 000	-
Finance costs - Finance leases	1 335 411	1 012 410
Impairment deficit	9 236 870	4 399 272
Debt impairment	54 511 001	123 718 883
Movements in operating lease assets and accruals	18 722	21 131
Movements in retirement benefit assets and liabilities	(5 346 678)	(2 346 845)
Movements in provisions	530 724	886 597
Transfer of property, plant and equipment (non-cash item)	34 036 003	64 509 821
<b>Changes in working capital:</b>		
Inventories	(4 169 448)	1 002 085
Receivables from exchange transactions	(40 060 320)	(29 933 916)
Consumer debtors	(87 832 089)	(98 507 141)
Other receivables from non-exchange transactions	(14 327 402)	31 228 190
Payables from exchange transactions	6 853 089	20 207 202
VAT	4 243	3 391 013
Unspent conditional grants and receipts	372 554	1 127 813
Consumer deposits	328	209 544
	<b>192 751 546</b>	<b>173 933 136</b>

### 39. Auditors remuneration

Fees - Auditor General of South Africa	6 474 173	5 780 394
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### 40. Commitments

#### Authorised expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	112 736 718	135 273 326
• Other financial assets	55 994 804	115 171 881
	<b>168 731 322</b>	<b>250 445 177</b>

#### Total capital commitments

Already contracted for but not provided for	168 731 322	250 445 177
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#### Total commitments

#### Total commitments

Authorised capital expenditure	168 731 322	250 445 177
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Capital commitments represent future, capital expenditure. The Municipality has an obligation to spend these amounts due to signed contracts with suppliers and approval as per Medium-Term Revenue and Expenditure Framework (MTREF).

#### The expenditure will be financed by:

Internal advances	55 694 604	101 223 287
MIG grants	102 318 641	135 273 326
OBISA loan	10 718 077	13 948 564
	<b>168 731 322</b>	<b>250 445 177</b>



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2020 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>41. Contingencies</b>		
<b>Contingent liabilities</b>		
<b>Contractual disputes</b>		
Various contractual claims by contractors' suppliers and [redacted] are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation. The provisional estimate based on management assessment is R 85 million (2019 : R76 million). The [redacted] must still be [redacted] and could result in a lesser or greater amount.		
<b>Malunga Tax Consultants vs Greater Tzaneen Municipality</b>		
In 2015 Malunga Tax Consultant sued the Municipality for not honouring payment of services rendered in respect of review and recover of VAT, SDL, UIF and PAYE, the matter is still pending in High Court. The actual amount claimed as per the summons is R 7 602 106 and estimated legal fees for the matter is R 2 700 000 and was an estimation of how much [redacted] claim [redacted] cost	10 302 106	10 302 106
<b>Siphiwe Engineering and Technologies vs Greater Tzaneen Municipality</b>		
The Municipality is being sued by Siphiwe Engineering Technologies for unlawful termination of contract for [redacted] of upgrading of electrical network. [redacted] is still pending at the Arbitration stage from 2017. However, the Municipality made [redacted] application in terms of section 33 of the Arbitration Act 42 of [redacted] against Siphiwe Engineering Technologies CC and His Lordship Retired MR Justice Zulman in High Court. The application involves a setting aside of [redacted] award granted in the amount of R 10 594 144,74 which is [redacted] [redacted] contingent liability of 2020 and [redacted] the estimated legal fees of [redacted] 100 000 for this matter	11 694 144	11 694 144
<b>Letaba Pekkors vs Greater Tzaneen Municipality</b>		
The Municipality is being sued for damage of electrical equipment which was caused by electrical surge within the jurisdiction of Greater Tzaneen operated by The Municipality, the matter is pending in [redacted] Magistrate Court from 2017. The actual amount claimed is per [redacted] particulars of [redacted] R 175 [redacted] estimated legal fees R 450 000 as indicated [redacted] of how [redacted] the damages would [redacted]	625 969	[redacted]
<b>C Van Der Merwe vs Greater Tzaneen Municipality</b>		
Mrs C Van Der Merwe who was the employee of the Municipality is suing the institution for an insurance claim that was not paid [redacted] a valid [redacted] was instituted due to an accident which happened while she was employed by Council. The matter is still pending in the High Court. The contingent liability of 2020 for this matter includes the actual amount claimed and [redacted] legal fees for the matter	1 666 511	1 366 511
<b>Hlimbyl Trading Enterprise vs Greater Tzaneen Municipality</b>		
Hlimbyl is suing the Municipality for unlawful termination of contract for provision of physical security contract, the matter is pending in [redacted] High Court from 2015. The actual amount claimed as per the summons and estimated legal fees for the matter is indicated in 2020 and in 2019 [redacted] an estimation of how much the claim would cost.	32 564 330	32 564 330
<b>Maria Malatji vs Greater Tzaneen Municipality</b>		
In 2015, Ms Maria Malatji sued the municipality for damages to her property as a result of floods. The matter is pending in the [redacted] Court. The actual amount claimed as per the summons and estimated legal fees for the matter as indicated in 2020 and in 2019 was an estimation of how [redacted] the [redacted] cost	1 150 000	1 150 000

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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### Bernardo Tounge vs Greater Tzaneen Municipality

In 2015, Bernardo Tounge sued the Municipality for damages to his property as a result of floods. The matter is pending in the High Court. The actual amount claimed as per the summons and estimated legal fees for this matter as indicated in 2020 and in 2019 was an estimation of how much the claim cost.

1 150 000

1 150 000

### Makoma Pony Hlokwe vs Greater Tzaneen Municipality

Makoma Pony Hlokwe is suing the Municipality for loss of support of the death of her husband whom was an employee of the Municipality. The amount claimed as per the summons is R 3 381 214 and the estimated legal fees amount is R 1 800 000

5 191 214

5 191 214

### Sima Silver Lodge vs Greater Tzaneen Municipality

Sima Silver Lodge is suing the Municipality for services rendered to Council in the amount of R 1 889 250 and the estimated legal fees amount is R 510 000

1 889 250

1 889 250

### Bravoopan 252 CC vs Greater Tzaneen Municipality

In 2016, Bravoopan sued the Municipality for damages of declaring their contract null and void in the amount of R 9 000 000 and the estimated legal fees amount is R 700 000

10 324 000

10 000 000

### Tshiamiso / GTM

In 2019, the Municipality terminated the contract of the service provider of two road projects of Mulati Access Road and Codesa to Hanu Street on the basis of the misrepresentation of the Bill of Materials by the Service Provider. The Service provider is claiming payment of certificate of completion, counter application and completion of the projects in line with related prices. The matter is still pending in High Court and the estimated legal fees for this matter is R 500 000.00

500 000

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### Mpho Kobela / GTM

In 2019, the Mpho Kobela sued the Municipality for injuries sustained during Hawkers ejection in the CBD of Tzaneen, where circumstances forced Municipal Law Enforcement Officer to use ammunition to disperse an unruly crowd of people who were refusing to leave the demarcated area for none trading purpose. The amount claimed is R 3 600 000 and the estimated legal fees is R 1 000 000.00

4 600 000

-

### Nkuna Traditional Council / GTM x2

In 2019, the Municipality received an application and action proceedings from the Nkuna Traditional Council claiming ownership of land belonging to the state as their communal land. The Municipality realised that the result of the claim might lead to Council losing the Townships of Nkowankowa, Lenyenye and Letatete. Land belonging and registered as Council property is claimed by Nkuna Traditional Council as their land. Both matters are pending in the High Court and the estimated legal fees for this matter is R 1 100 000

1 100 000

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### Agri-Letaba / GTM

Agri-Letaba brought an application to Court against the Municipality for an order to compel the Municipality to publish a proclamation with regard to rezoning of Letaba Showground into Agricultural College against the rezoning laid out by Mopani Tribunal that the rezoning must not happen before the restrictive conditions are met by Agri-Letaba. Agri-Letaba wants to remove the restrictive conditions and the Municipality wants Agri-Letaba to comply with the restrictions failure of which a counter-claim will be lodged to contest the ownership and registration of the property. The case is pending in the High Court from July 2020. The estimated legal fees is R 500 000

500 000

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# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand	2020	2019
<b>Josephine Maake</b>		
The Municipality suspended Josephine Maake as testing officer after her arrest by the DPCI/ The Hawks for the charges of [REDACTED] of duty, fraud and corruption. She was later dismissed after a [REDACTED] disciplinary hearing. She [REDACTED] took the Municipality to the Bargaining Council wherein the [REDACTED] ruled in [REDACTED] favour of her reinstatement and payment of outstanding [REDACTED] due. The employee claim reinstatement to the Municipality [REDACTED] Traffic Officer. Ongoing [REDACTED] the Labour Court from October 2019.	900 000	-
<b>Stanley Malatji / GTM</b>		
The Municipality suspended Stanley Malatji as testing [REDACTED] after her arrest by the DPCI/ The Hawks for the charges of dereliction of duty, [REDACTED] and corruption. He was later dismissed after a [REDACTED] disciplinary hearing. He then [REDACTED] the Municipality to the Bargaining Council wherein the Arbitrator ruled in [REDACTED] favour of the Municipality. The employee claim reinstatement to the Municipality as Traffic Testing Officer. Ongoing in the Labour court from [REDACTED] 2020.	900 000	-
	<b>35 067 524</b>	<b>76 287 524</b>

### Contingent assets

#### Outstanding Insurance claims

The estimated contingent asset for insurance claims amounts to R 4 074 237 (2019: R 276 068). The estimation is based on quotations, medical reports, estimates based on previous claims of similar [REDACTED], estimates by management and [REDACTED] of demand received. The merits must still be determined [REDACTED] could result in a lesser or greater amount. A detailed insurance register is available at the Municipality for inspection.

#### Contractual disputes

Phadima Group Holding and Greater [REDACTED] Municipality [REDACTED] in dispute during the [REDACTED] financial year. The potential extent of the [REDACTED] could not [REDACTED] determined, since it was subject to litigation. The provisional estimate based on management assessment [REDACTED] is 912 800. The matter [REDACTED] finalized.

#### Phadima Group Holding vs Greater Tzaneen Municipality

On [REDACTED] during the 2007 [REDACTED] 2009, the parties (The Municipality and Phadima [REDACTED] Phadima) entered into three Written agreements [REDACTED] regards to [REDACTED] development of an Immovable property known as Avis Park Extension 53 Tzaneen ("The Property"). The debt is written [REDACTED] by Council and [REDACTED] was referred for investigation by MPAC a Council [REDACTED].

### 42. Related parties

#### Relationships/Management

Municipal Manager  
Chief Financial Officer  
Director Community services  
Director Civil Engineering  
Director Corporate Services  
Director Electrical Engineering  
Director Planning and Economic Development  
Councillors

BS Matlala  
[REDACTED]  
[REDACTED] Nkuna  
[REDACTED] Motokomme  
W Shibamba  
[REDACTED] Lelope  
B [REDACTED]

Refer to Note 29 for list of councillors

No member of the Municipality's management has significant influence over the financial or operating policies of the Municipality.

No business transactions took place between the Municipality and key management personnel.

All Councillors have disclosed their interest in related parties [REDACTED] [REDACTED] one has the ability to control or exercise significant influence over the Council in making financial and operational [REDACTED] decisions. Councillors are remunerated according to the Remuneration of Public Office Bearers Act 20 of [REDACTED] [REDACTED] only have collective executive powers for planning, directing and controlling the activities of the Municipality.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 31 March 2020

## Notes to the Unaudited Financial Statements

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### Loans granted to related parties

In terms of the MFMA the Municipality may grant loans to councillors, management, staff and public with effect from 1 March 2004.

### GTEDA

GTEDA is a Municipal Entity Established by Greater Tzaneen Municipality and performs the function consistent with that of an entity and cannot control or influence council in making financial or operational decisions.

The value of the grant paid over to GTEDA during the year under review amounts to R 7 963 852 (2019: R 8 834 783), excluding VAT.

The balance owed to GTEDA at year-end amounts to R 253 365 (2019: R 216 732).

### Mopani District Municipality

Greater Tzaneen Municipality acts as the service provider for Mopani District Municipality (MDM) with regards to the water and sewer services. Mopani District Municipality is the financial and service authority and those services reflect in their records. Mopani District Municipality has no control over the financials of Greater Tzaneen Municipality and cannot influence council in making financial or operational decisions.

The balance owing by MDM to GTM at year end amounts to R 284 253 (2019: R 248 065 223).

### Section 57 Managers and Councillors

Refer to note 28 for details of remuneration paid to Section 57 Managers and to note 30 for remuneration paid to Councillors.

### Bids awarded to family of employees in service of state.

In terms of Section 45 of the municipal supply chain management regulations any award above R 1 000 to family of employees in the service of the Municipality must be disclosed in the annual financial statements.

The following is a list as recorded:

Name of employee	Capacity	Successful tenderer	Amount R service
MJ. Malatjie/MD Malatjie	Manager Traffic/Senior Licensing Clerk	KE Malatjie Attorney	R 142 300
SD. Maake	Vehicle Ins. & Test Officer	DTM Consulting	R 1 322 279
Xikombiso Sibisi	Compliance Officer	Rhisi Electrical Contractors	R 7 119 247
NHM. Maake	Manager in Human Resources	Baobab Consulting	R 116 591
NHM. Maake	Manager in Human Resources	Maake Trading	R 194 580
			<b>R 8 894 997</b>

### 43. Risk management

#### Financial risk management

Exposure to liquidity, credit, interest rate and currency risks arises in the course of the Municipality's operations. This note presents information about the Municipality's exposure to each of the above risks and processes for measuring and managing risks. Quantitative disclosures are included in these financial statements.

#### Liquidity risk

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Municipality's risk to liquidity is a result of the need to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

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Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the municipality's financial position into maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due in 12 months equal their carrying balances as the impact of discounting is not significant at 30 June 2020.

At 30 June 2020	Less than 1 year	Between 1 and 2 years
Other financial liabilities	9 851 649	123 441 226
Finance lease obligation	3 886 967	3 925 236
Payables from exchange transactions	234 925 375	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years
Other financial liabilities	22 810 651	110 646 186
Finance lease obligation	2 978 540	3 551 484
Payables from exchange transactions	228 072 277	-

### Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation.

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Potential concentrations of credit risk exist mainly of investments, loans, trade receivables and other receivables, short-term investment deposits and cash equivalents.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the Municipality's Investments Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the condition of these trade receivables presented net of an allowance for impairment and where appropriate, credit is adjusted.

Credit risk pertaining to trade and other receivables is considered to be low due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of interest charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Collection Policy.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

No cash and cash equivalents were pledged as security for loans and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the municipality's financial instruments are as follows:

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2020	2019
Receivables from exchange transactions	314 159 268	274 098 948
Receivables from non-exchange transactions	54 394 591	40 067 189

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

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Figures in Rand

Cash and cash equivalents	70 215 787	42 033 011
Consumer debtors	116 024 317	82 703 229
Other financial assets	21 113 399	31 525 083

The method for determining the credit quality of the different financial instruments are disclosed in their individual notes.

### Market risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates affecting the Municipality's income or the value of its financial holdings. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, optimising the return on the risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Municipality is exposed to interest rate risk on investments and long-term borrowings.

A sensitivity analysis is done by the Municipality on a continuous basis to determine its potential exposure to interest charges. Different scenarios are simulated which include renewal of current position and alternative financing. Based on those scenarios the Municipality calculates the impact that a change in interest rate will have on the surplus / deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest-bearing liabilities.

This risk is managed by investing in investments with different maturity. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in interest rates. Borrowings issued at variable interest expose the Municipality to cash flow interest risk. Borrowings at fixed rates expose the Municipality to fair value interest rate risk.

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the Municipality's customers are levied in terms of relevant statutes. It is not anticipated that given the nature of the Municipality's business, changes in the prices of goods and services will have a significant impact on the trading results of the Municipality.

Market risk is managed on an ongoing basis.

There has been no change, since the previous financial year to the Municipality exposure to market risks on the manner which it manages and measures the risk.

### 44. Going concern

The unaudited financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance the operations and the realisation of assets and settlement of liabilities, contingent obligations and commitments in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 45. Unauthorised expenditure

Opening Balance	83 025 989	111 909 226
Unauthorised expenditure for the year (overspending of budget)	-	83 025 989
Unauthorised expenditure condoned by council	(83 025 989)	(111 909 226)
Unauthorised expenditure awaiting condonement	-	83 025 989

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial

Figures in Rand	2020	2019
Unauthorised expenditure for the year is as a result of overspending of the approved budget.		
The operational budget was exceeded on vote level [REDACTED] is summarised as follows:		
Financial Services	-	78 294 401
Electrical engineering services	-	4 731 588
Corporate services	-	-
Planning and economic development (PED)	-	-
Engineering services	-	-
Unauthorised expenditure	-	83 025 989

A detailed list of the 2019 unauthorised expenditure is available at the Municipality for inspection.

### 46. Fruitless and wasteful expenditure

Opening balance	11 468 055	13 382 176
Fruitless and wasteful expenditure- current year	3 717 806	8 975 874
Fruitless and wasteful expenditure written off (2015/2016)	-	(943 172)
Fruitless and wasteful expenditure written off (2016/2017)	-	(8 080 039)
Fruitless and wasteful expenditure written off (2017/2018)	-	(4 868 884)
Fruitless and wasteful expenditure written off (2018/2019)	(4 773 842)	-
<b>Fruitless and wasteful expenditure awaiting write off / further investigation</b>	<b>10 409 818</b>	<b>11 468 055</b>

The fruitless and wasteful expenditure has been tabled to council and was investigated by a committee of Council.

A detailed list of fruitless and wasteful expenditure is available at the Municipality for inspection.

The investigation results resulted in the fruitless and wasteful expenditure tabled to Council be condoned and written off.

### 47. Irregular expenditure

Opening balance	37 337 975	103 248 810
Add: Irregular Expenditure - current year	24 862 274	11 827 109
Irregular expenditure written off 2015/2016	-	(39 480 428)
Irregular expenditure written off 2016/2017	-	(25 477 044)
Irregular expenditure written off 2017/2018	-	(12 252 815)
Irregular expenditure written off 2018/2017	-	(547 857)
Irregular expenditure written off 2018/2019	(363 345)	-
<b>Irregular expenditure awaiting write off / further investigation</b>	<b>61 816 904</b>	<b>37 337 975</b>

### Analysis of expenditure awaiting write off per age classification

Current year	24 862 274	11 827 109
Prior years	36 954 630	25 510 866
	<b>61 816 904</b>	<b>37 337 975</b>

Council and management are taking appropriate steps to analyse consequences of the above expenditure.

A detailed list of irregular expenditure is available at the Municipality for inspection.

The irregular expenditure has been tabled to Council and investigated by a committee of Council.

### Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to SALGA

Current year subscription / fee	3 618 830	3 430 171
Amount paid - current year	(3 618 830)	(3 430 171)
	-	-

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2020 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### Skills Development Levy

Current year subscription / fee	2 709 784	3 220 392
Amount paid - current year	(2 709 784)	(3 220 392)
	-	-

### Audit fees

Current year subscription / fee	6 474 173	5 780 394
Amount paid - current year	(6 474 173)	(5 780 394)
	-	-

### PAYE and UIF

Current year subscription / fee	72 268 051	66 760 919
Amount paid - current year	(72 268 051)	(66 760 919)
	-	-

### Pension and Medical Aid Deductions

Current year subscription / fee	79 768 464	73 667 676
Amount paid - current year	(79 768 464)	(73 667 676)
	-	-

### Bargaining Council Levy

Current year levy	156 118	146 038
Amount paid - current year	(156 118)	(146 038)
	-	-

### VAT

VAT payable	43 987 820	39 744 096
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VAT output payables and VAT input receivables are R17 171 171.

All VAT returns have been submitted by 2020 2020 throughout 2020 year.

### Councillors

#### Arrear consumer accounts

30 June 2020

The following Councillors had arrear accounts outstanding R more than 90 days at 30 June 2020:

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor : GE Timbana (Mdluli Project)	-	67 819	67 819
Councillor : MJ Maake	559	-	559
	559	67 819	68 378



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 30 June

## Notes to the Unaudited Financial

Figures in Rand	2020	2019
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30 June 2019

The following Councillor had an arrear account outstanding for more than 90 days at 30 June 2019

	Outstanding more than 90 days R	Outstanding more than 90 days R	Total R
Councillor: MJ Mseke	503	-	503

### 49. Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. The expenses incurred have been approved.

### 50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the 2005 gazette states that the Accounting Officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the unaudited financial statements.

The rewards listed below have been approved by the Accounting Officer and noted by Council.

#### The classification of deviations:

Emergencies on service delivery	3 819 651	7 075 122
Deviations in appointment alternative service providers in current financial year	18 417	10 133
providers having pending litigations with the Municipality		
Deviations in general internal municipal operations in human resources	204 754	508 202
Emergency on provision for security	-	7 547 436
	<b>4 040 822</b>	<b>253 760</b>

All deviations considered by the Accounting Officer are processed in terms of the Supply Chain Management Regulations and the Supply Chain Management Policy. This process is controlled by the supply chain management bid adjudication committee in terms of the stipulated criteria of emergency procurements or circumstances where it is impractical or impossible to follow the official procedures.

A detailed deviation register is available at the Municipality for inspection.

### 51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	133 292 875	133 455 817
------------------------------	-------------	-------------

External loans have been utilized in accordance with the Municipal Finance Management Act. Refer to note 14 for more detail regarding long-term borrowings.

### 52. Distribution losses

Units purchased (kWh)	356 231 757	375 039 517
Units lost during distribution (kWh)	74 482 474	77 317 186
Percentage lost during distribution	20,91 %	20,62 %
Rand Value	83 092 646	123 585 476

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

Electricity losses:

The electricity distribution losses for the current year are 20,91% (2019: 20,62%). These losses are predominantly due to metering inaccuracies, system operations, and vandalism.

The Municipality has engaged in a two-year investigation project to reduce the distribution losses. The project includes the upgrading of infrastructure and the implementation of a revenue management programme in support of revenue losses/generation pertaining to electricity.

### 53. Budget differences

Material differences between budget and actual amounts

#### 53.1 Explanation of variances between approved and final budget greater than 10%

The variance between the approved and final budget is due to adjustments approved on the adjustment budget and variances approved by directors. The increase in the Capital Budget is due to Capital projects rolled over from the previous financial year.

Included in the variances are variances lower than 10% which are regarded as material variances on the statement of financial performance.

### Statement of Financial Performance

#### Revenue

##### Lease of facilities and equipment (-41,67%)

Most of the facilities were stopped from being rented in the quarter due to implementation of COVID-19 regulations. Variance is (2020: R(819 867)) and (2019: R (360 753)).

##### Interest received - outstanding receivables (13,14%)

The increase in interest on outstanding debtors is due to late payment on debtors account. Variance is (2020: R 234 087) and (2019: R 828 053).

##### Service charges (-8,27%)

The lower than expected revenue on service charges is lower than anticipated revenue billed for electricity. Variance is (2020: R(50 293 258)) and (2019: R 48 628 588).

##### Income from agency services (-83,01%)

The budgeted amount includes the revenue received on behalf of the agency which cannot be regarded as own revenue, only 20% is recognised as own revenue. Variance is (2020: R(44 715)) and (2019: R (41 910 218)).

##### Licenses and permits (60,79%)

The variance is due to higher than expected revenue from the issuing of licenses and permits especially building plans approved, clearance certificates issued and town planning application fees. Variance is (2020: R(14 714 )) and (2019: R(248 674)).

##### Other income (288,90%)

This higher than anticipated income is due to grant administration fees and VAT on grant transferred from grants and subsidies. Variance is (2020: R(20 827 404)) and (2019: R 15 866 761).

##### Interest received - external investment (101,76%)

The increase is as a result of the annual additional interest made during the year, annual capitalisation of interest on investment and interest earned on bank account. Variance is (2020: R(4 376 865)) and (2019: R(5 814 814)).

##### Property rates (10,33%)

The increase is due to supplementary valuation and new development. Variance is (2020: R(10 746 520)) and (2019: R(22 160 412)).

##### Property rates - penalties imposed (29,66%)

The huge increase is due to the late payments of rates on debtors book. Variance is (2020: R(2 483 012)) and (2019: R 3 222 809).

## Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

### Notes to the Unaudited Financial Statements

Figures in Rand

#### Government grants and subsidies (-4,60%)

The budgeted amount includes the revenue for VAT and fees. The Municipality is regarded as own revenue. Variance is (2020: R (23 999 020)) and (2019: R( 22 362 470)).

#### Public contributions and donations (100,00%)

The Municipality received a donation of IT equipment from The Premier of the Premier. Variance is (2020:R80 000 ) and (2019: R110 987)

#### Fines (-33,99%)

The disclosure of fines has been done in accordance with the relevant legislation and resulting in total fines disclosed. Variance is (2020:R(13 085 808)) and (2019: R27 688 303).

#### Expenditure

##### Employee cost (-4,98%)

The underspending is due to vacant posts that were not filled immediately during the year. Variance (2020: R 18 485 224) and (2019: R 47 784 630).

##### Depreciation and amortisation (-20,02%)

The budget includes depreciation amount of roads transferred to RAL and projects under work in progress. Variance is (2020:R24 632 166) and (2019: R 751 409).

##### Impairment of assets (32,15%)

Physical damaged of electricity and roads infrastructure. Variance is (2020:R(2 248 000 ) and (2019: R 4 399 272).

##### Collection (40,11%)

The new contract of debt collectors was appointment during October 2019. Variance is (2020:R(188 501)) and (2019: R 599 679).

##### Grants and subsidies paid (-12,65%)

The low spending is due to INEP grant projects underspending. Variance is (2020: R5 037 932) and (2019: R (16 856 284)).

##### Repairs and maintenance (-37,80%)

The lower than anticipated spending is due to the underspending on the council vehicle usage and repairs and maintenance on electricity distribution network. Variance is(2020: R 15 561 468) and (2019: R18 823 626).

##### Contracted services (-11,61%)

The lower than anticipated spending is due to the underspending on contracted services security. Variance is (2020: R7 738 057) and (2019: R 630 929).

##### General expenses (-22,48%)

The lower than anticipated spending is due to the underspending on licencing costs transferred to department of transport. Variance is (2020: R 31 510 674) and (2019: R 13 706 929)

##### (Gain)/Loss on disposal of assets (-244,33%)

Loss on disposal due to assets written off and made to the private party. Variance is (2020: R (6 108 186)) and (2019: R (4 701 807)).

##### Fair value adjustment (-100%)

Change in value due to supplementary valuation received during the year. Variance is (2020: R(50 000)) and (2019: R 0).

#### Statement of Financial Position

##### Assets

##### Operating lease asset (-67,20%)

The reduction is due to the recalculation of prior year payments. Variance is (2020: R(103 992)) and (2019: R 11 420)

##### Other financial assets (-100,00%)

The total amount of stand sale transferred to operating revenue based on the audit of 2019/2020 financial year. Variance is (2020: R(3 594 775)) and (2019: R 3 267 978).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Consumer debtors (-14,98%)

During the budget preparation the Municipality was anticipating that consumer debtors book would reduce due to credit control measures. Variance is (2020: R(20 438 336)) and (2019: R 7 242 681).

### Receivables from non-exchange transactions (-33,74%)

The budget amount represents only cash received whilst the actual 2020 represents total traffic fines issued. The actual is disclosed according to GRAP1. Variance is (2020: R(27 703)) and (2019: R (37 793 651)).

### Receivables from exchange transactions (45,86%)

The increase is due to the outstanding balance on Mopani debtors account. Variance is (2020: R99 772 734 ) and (2019: R 110 813 066).

### Cash and cash equivalents (-12,24%)

The Municipality closed with a positive bank balance of R 70 215 766 during the year. Variance is (2020: R(9 794 841)) and (2019: R36 362 442).

### Intangible assets (-47,48%)

The reduction is due to the amortisation of intangible assets. Variance is (2020: R (672 354)) and (2019: R325 010).

### Other financial assets (-37,66%)

The decrease is due to the long-term investment of R 15 million redeemed during 2020 year. Variance is (2020: R(12 765 224)) and (2019: R 13 858).

## Liabilities

### Other financial liabilities (current) (-20,77%)

The increase is due to R 15 million loan redeemed during 2020 year. Variance is (2020: R(2 289)) and (2019: R12 044 040).

### Payables from exchange transactions (13,45%)

The Municipality had creditors and 2020 not paid 2020 at year end. Variance is (2020: R 27 851 827) and (2019: R 50 021 282).

### VAT Payable (18,30%)

The outstanding balance represents an amount owed to SARS not paid at year end. Variance is (2020: R 166 182) and (2019: R 487 458).

### Unspent conditional grants and receipts (100%)

The unspent conditional grants is higher than anticipated 2020 to the outstanding balance of R 5.4 million under INEP grant. Variance is (2020: R5 466 827) and (2019: R1 509 798).

### Provisions (93,78%)

The increase is due to the provision for performance 2020 of all 2020 municipal manager for the full financial year. Variance is (2020: R469 862) and (2019: R (327 914)).

### Other financial liabilities (non-current) (22,97%)

The reduction is due to the loan of R 20 million 2020 during the year. Variance is (2020: R23 054 415) and (2019: R 11 048 850).

### Finance lease obligation (-56,15%)

The reduction is due to leases expired and lease payments 2020 during the year. Variance is (2020: R(5 025 784)) and (2019: R (8 103 976)).

## Statement of Cash Flows

### Taxation revenue (24,19%)

The increase is due to annual increases in property 2020 licence and permits as well as the improvement of buildings. Variance is (2020: R 24 469 532) and (2019: R ( 4 761 638)).

### Interest income (-41,80%)

The decrease is due to the inclusion of interest on outstanding 2020 received under sale of goods and services. Variance is (2020: R (6 232 835)) and ( 2019 : R (11 186)).

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial

Figures in Rand

### Transfer of property, plant and equipment (100%)

The actual amount represents capitalisation of completed projects transferred from WIP to infrastructure assets. Variance is (2020: R 34 036 003) and (2019: R64 509 821).

### Additions to property, plant and equipment (14,11%)

The overspending is due to the amount of completed projects transferred from working in progress to infrastructure. Variance is (2020: R (21 588 151)) and (2019: R (22 603 460)).

### Proceeds on disposal of property, plant and equipment (-100,00%)

It was anticipated that during the budget process the Municipality will dispose assets. Variance is (2020: R(2 500 000)) and (2019: R (2 500 000)).

### Additions to intangible assets (-100%)

The increase is due to the acquisition of IT equipment R(202 341)) and (2019: R (154 938)).

### Movement of financial asset (-347,22%)

The difference is due to the long investment redeemed during 2019/2020 financial year. Variance is (2020: R14 623 145) and (2019: R 435 316).

### Repayment of other financial liabilities (-95,73%)

The difference is due to the long term loan of R15 paid during the year. Variance is (2020: R3 286) and (2019: R (168 918)).

### Finance lease payments (-96,45%)

The reduction is due to lease expired during the year. Variance is (2020: R 446 768) and (2019: R 841).

## 54. Fair value adjustments

Investment property (Fair value model)

(50 000)

The Greater Tzaneen Municipality fair valued investment properties using valuation roll that into effect on the 01 July 2017 which reviewed every four years.

## Investment revenue

### Interest revenue

Interest received - Investment

R 677 865

R 616 814

Interest received - trading

19 234 087

17 053

27 911 932

27 441 867

An amount of R 5 198 605 (2019: R 5 311 745) included in investment revenue arises from fixed deposit transactions amounting to R 85 860 000 (2019: R 45 000), while the balance of R 3 479 380 (2019: R 4 304 069) arises from interest received on the Municipality's current bank account.

## 55. Fines revenue

Revenue for traffic fines issued

24 771 945

15 701 184

Other fines

643 385

553 808

25 415 330

16 255 003

## 57. Loss / (gain) on disposal/ write off of assets

Property, plant and equipment

(3 498 166)

(2 228 518)

Investment property

(110 000)

-

(3 608 166)

(2 228 518)

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

	2020	2019 Restated*
<b>58. Public contributions and donations</b>		
Public contributions and donations	80 000	110 987
See note 26.		
<b>59. Depreciation and amortisation</b>		
Property, plant and equipment	97 785 035	127 618 723
Intangible assets	593 008	623 288
	<b>98 378 043</b>	<b>128 241 991</b>
<b>60. Debt Impairment movements</b>		
Receivables from exchange transactions	1 166 682	6 940 143
Consumer debtors	8 963 645	79 060 163
Receivables from non-exchange transactions (fines ■ rates)	44 480 874	■ ■ 377
	<b>54 611 001</b>	<b>123 718 683</b>

## 61. Change in estimate

### Change in accounting estimates

The Municipality has reassessed the useful lives of property, plant ■ equipment which resulted in certain assets remaining useful lives to change. Infrastructure ■ useful ■ changed from nine (9) to ■ (10) years on average. Other ■ changed from two (2) to three (3) years on average. Leased assets ■ unchanged with two (2) years on average. Intangible assets ■ changed from one (1) to two (2) years ■ average. The ■ of the change in accounting estimates has resulted in ■ dec ■ in depreciation and ■ amounting to R 35 397 979 for the current period. The effect on future periods will increase the depreciation and amortisation by ■ 35 397 979.

The change in estimate affected the following classes of ■:

- Infrastructure assets
- Community assets
- Other assets
- Leased assets
- Intangible assets

## 62. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-period adjustments and reclassification.

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

2020

2019

### Statement of Financial Position 2018

#### R251 009

#### PPE

2018/06/30	Increase in land due to land misclassification R350
2018/06/30	Land reduction due to prior year donation not accounted for -R 372 882
2018/06/30	Accumulated Depreciation due to Leased Assets useful life previously not reviewed R 62 822.44
2018/06/30	Reduction in leased assets due to assets previously not derecognised at expiry of lease -R 2 387 116.81
2018/06/30	Accumulated depreciation of leased assets to assets previously not derecognised at expiry of lease R 2 387 116.61
2018/06/30	Increase in other assets due to minor assets with zero value adjusted R1 194
2018/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed R 577 768.50
2018/06/30	Increase in infrastructure due to completed project previously not capitalised R 453 754.39
2018/06/30	Reduction in work in progress due to completed project previously not capitalised -R 453 754.39
2018/06/30	Accumulated depreciation due to completed project previously not capitalised -R 44 304.07
2018/06/30	Accumulated depreciation due to Infrastructure assets useful life previously not reviewed R 8 511 777.87
2018/06/30	Land reduction due to investment property incorrectly classified as PPE -R 3 891 886
2018/06/30	Land reduction due to private properties included as PPE -R 3 542 510
2018/06/30	Increase in PPE due to land previously classified as investment property R948 687.58

#### Investment property

2018/06/30	Reduction of Investment property due to land misclassification -R 200
2018/06/30	Investment property reduction due to duplication of property -R 400 000
2018/06/30	Reduction of Investment property due to land misclassification -R 1 630 000
2018/06/30	Increase due to Investment property incorrectly classified as land R 2 400 000

#### R-82 734

#### Operating lease asset

2018/06/30	Reduction in operating lease asset to miscalculation and cancelled lease not previously accounted for -R 82 734.48
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\* See Note 82

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

<b>R10 911 513</b>	<b><u>Accumulated Surplus</u></b>
2018/06/30	Increase in land due to land misclassification -R 1 000
2018/06/30	Land reduction due to prior year donation not accounted for R 372 882
2018/06/30	Accumulated Depreciation due to Leased Assets Useful life previously not reviewed -R 62 822.44
2018/06/30	Increase in other assets due to minor assets with zero value adjusted -R 1 194
2018/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed -R 577 768.60
2018/06/30	Accumulated depreciation due to completed project previously not capitalised R 44 304.07
2018/06/30	Accumulated depreciation due to infrastructure assets useful life previously not reviewed -R 6 511 777.87
2018/06/30	Reduction in operating lease asset, R 82 734.49 miscalculations and cancelled lease not previously accounted for
2018/06/30	Land reduction due to investment property incorrectly classified as PPE R 3 891 895
2018/06/30	Land reduction due to private properties included as PPE R 3 542 510
2018/06/30	Increase in PPE due to land previously classified as investment property -R 948 668
2018/06/30	Investment property reduction due to duplication of property R 400 000
2018/06/30	Reduction of investment property due to RPA R 1 630 000
2018/06/30	Increase due to investment property incorrectly classified as land -R 2 400 000
2018/06/30	Traffic fines withdrawn in the 2017/18 financial year R76 640.00
2018/06/30	Traffic fines withdrawn in the 2016/17 and 2017/18 financial years R5 440
2018/06/30	Traffic fine issued during the 2017/18 financial year - R 10 000
2018/06/30	Increase in receivables from exchange due to the correction of VAT portion of impairment allocation of Mopani District Municipality - R10 445 576
2018/06/30	Rounding R 8
<b>-R72 080</b>	<b><u>Receivables from non-exchange transactions</u></b>
2018/06/30	Traffic fines withdrawn in the 2017/2018 financial year - R76 640
2018/06/30	Traffic fines withdrawn in the 2016/2017 financial year, 2017/2018 adjustment - R 440
2018/06/30	Traffic fines issued during the 2017/2018 financial year R10 000
<b>R10 445 576</b>	<b><u>Receivables from exchange transactions</u></b>
2018/06/30	Increase in receivables due to the correction of VAT portion in impairment allocation of Mopani District Municipality R10 445 576.
<b>R 8</b>	<b><u>Payables from exchange transactions</u></b>
2018/06/30	Rounding - R8

\* See Note 62



# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Statement of Financial Position 2019

#### R1 545 427 PPE

2019/06/30	Increase in land due to land misclassification R 350
2019/06/30	Land reduction due to prior year donation not accounted for -R 372 882
2019/06/30	Accumulated Depreciation due to Leased ■■■■ life previously not reviewed R 62 822,44
2019/06/30	Reduction in leased assets due to assets previously ■■ derecognised at expiry of lease -R 2 387 118,61
2019/06/30	Accumulated depreciation of leased assets ■■ to assets previously not derecognised at expiry of lease R 2 387 118,61
2019/06/30	Increase in other assets due to minor assets ■■ zero value adjusted R 1 194
2019/06/30	Accumulated Depreciation due to Other Assets useful life previously not reviewed R 577 768,50
2019/06/30	Increase ■ infrastructure due to completed project previously not capitalised R 453 754,39
2019/06/30	Reduction in work ■ progress due to completed project previously not capitalised -R 453 754,39
2019/06/30	Accumulated depreciation due to completed project previously not capitalised -R 44 304,07
2019/06/30	Accumulated depreciation due to Infrastructure ■■■■ useful life previously not reviewed R 5 511 777,67
2019/06/30	Land reduction due to investment property incorrectly classified as PPE -R 3 891 895
2019/06/30	Land reduction due to private properties included as PPE -R ■ 542 510
2019/06/30	Increase in PPE due to land previously ■■■■ as investment property R 948 687,68
2019/06/30	Increase in infrastructure due to electricity projects capitalised with incorrect amount R 228 843,98
2019/06/30	Accumulated depreciation ■ electricity projects capitalised with incorrect amount -R 81,44
2019/06/30	Increase in other assets due to maintenance ■■ previously not capitalised R 220 520
2019/06/30	Accumulated depreciation due to maintenance cost previously not capitalised -R 12 863,87
2019/06/30	Increase in work in progress due to a project previously R01 recognised R 1 359 203,37
2019/06/30	Accumulated Depreciation due ■ ■■■■ Assets useful life previously not reviewed capitalised -R 21 471,55
2019/06/30	Accumulated Depreciation due to Other Assets useful ■■ previously not reviewed capitalised -R 118 829,41
2019/06/30	Accumulated depreciation due to completed project previously not capitalised -R 22 887,72
2019/06/30	Accumulated depreciation ■■ to Infrastructure assets useful life previously not reviewed -R 341 234,39

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Financial Statements

Figures in Rand

### R369 Investment property

2019/06/30	Reduction of investment property due to misclassification -R 250
2019/06/30	Investment property reduction due to duplication of property -R 1 000
2019/06/30	Reduction of investment property due to -R 1 630 000
2019/06/30	Increase due to investment property incorrectly -R 2 400 000

### R-82 891 Operating lease asset

2019/06/30	Reduction in operating lease asset due to miscalculation cancelled lease not previously accounted for R -156,31
2019/06/30	Reduction in operating lease asset due to miscalculation and cancelled lease not previously accounted for R -82 734,49

### R-448 686 Payables from exchange transactions

2019/06/30	Increase in creditors due to electricity projects completed in prior year -R 228 953.
2019/06/30	Increase in creditors due to VAT refund paid to GTM of GTEDA -R 216 732.

### R-216 732 VAT Payable

2019/06/30	Reduction in VAT payable due to GTEDA VAT refunded to GTM -R 216 732.
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### R12 886 082 Receivables from exchange transactions

2019/06/30	Increase in receivables from exchange due to correction of the VAT portion in impairment allocation of Mopani District Municipality R12 886
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### R-19 240 625 Consumer debtors

2019/06/30	Reduction in consumer debtors GRAP requirement to allocate statutory receivables as receivables from non-exchange transactions -R 19 240 625.
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### R3 234 108 Receivables from non-exchange transactions

2019/06/30	Reduction in receivables, traffic fines withdrawn in 2017/18 financial year - R95 000.
2019/06/30	Reduction in receivables, traffic fines withdrawn in the 2016/17 and 2017/18 financial year - R15 516,.
2019/06/30	Increase in receivables, traffic fines to incorrect allocation in previous years R 13 000.
2019/06/30	Increase in receivables from non-exchange transactions GRAP 108 requirement to allocate statutory receivables as receivables from non-exchange transactions R 19 240

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June

## Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Position	previously reported	Correction of errors	2018 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	19 164 420	-	19 164 420
Operating lease asset	173 357	(82 734)	90 623
Receivables from exchange transaction	233 719 455	10 445 576	244 165 031
Receivables from non-exchange transactions	43 961 106	(72 080)	43 889 026
Consumer debtors	137 321 124	-	137 321 124
Cash and cash equivalents	7 490 665	-	7 490 665
<b>Non - Current Assets</b>			
Investment properties	181 377 053	369 750	181 746 803
Property, plant and equipment	1 486 313 522	251 009	1 486 564 531
Intangible assets	1 603 488	-	1 603 488
Heritage asset	195 000	-	195 000
Other Financial assets	26 887 399	-	26 887 399
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	(10 725 007)	-	(10 725 007)
Finance lease obligation	(824 306)	-	(824 306)
Payables from exchange transactions	(207 665 063)	(8)	(207 665 071)
VAT Payable	(36 353 082)	-	(36 353 082)
Consumer debtors	(26 858 463)	-	(26 858 463)
Unspent conditional grants and receipts	(3 955 460)	-	(3 955 460)
Provisions	(445 724)	-	(445 724)
<b>Non-Current Liabilities</b>			
Other financial liabilities	(92 572)	-	(92 572)
Finance lease obligation	(602 667)	-	(602 667)
Employee benefit obligation	(83 821 523)	-	(83 821 523)
Provisions	(4 626 520)	-	(4 626 520)
<b>Accumulated surplus</b>	<b>1 689 672 182</b>	<b>10 911 613</b>	<b>1 680 783 795</b>

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2019/2020 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

Statement of Financial Position	2019 previously reported	Correction of errors	2019 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	162 335	-	18 182 335
Operating lease asset	152 382	(82 891)	69 491
Receivables from exchange transactions	261 212 866	12 686 082	274 098 948
Receivables from non-exchange transactions	36 833 080	3 234 108	40 067 188
Consumer debtors	101 943 854	(19 240 625)	82 703 229
Cash and cash equivalents	42 033 011	-	42 033 011
<b>Non-Current Assets</b>			
Investment property	181 377	369 750	181 746 803
Property, plant and equipment	1 455 227 822	1 545 427	1 456 773 249
Intangible assets	1 135 137	-	1 135 137
Heritage assets	195 000	-	195 000
Other financial assets	31 525 083	-	31 525 083
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	(22 810 651)	-	(22 810 651)
Finance lease obligation	(2 978 540)	-	(2 978 540)
Payables from exchange transactions	(227 744 096)	(446 685)	(228 190 781)
VAT Payable	(39 744 096)	218 732	(39 525 364)
Consumer deposits	(27 068 007)	-	(27 068 007)
Unspent conditional grants and receipts	(5 083 273)	-	(5 083 273)
Provisions	(948 870)	-	(948 870)
<b>Non-Current Liabilities</b>			
Other financial liabilities	(110 645 168)	-	(110 645 168)
Finance lease obligation	(3 551 484)	-	(3 551 484)
Employee benefit obligation	(81 474 678)	-	(81 474 678)
Provisions	(5 089 171)	-	(5 089 171)
<b>Accumulated surplus</b>	<b>1 602 661 664</b>	<b>(1 518 101)</b>	<b>1 601 143 563</b>

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2019

## Notes to the Unaudited Financial Statements

Figures in Rand

### Statement of Financial Performance 2019

<b>R 517 904</b>	<b>Depreciation</b>
2019/06/30	Increase in depreciation for electricity projects capitalised ■ incorrect amount R 61.44
2019/06/30	Change in depreciation due to ■ previously not capitalised R 15 518.07
2019/06/30	Depreciation for Leased Assets due to useful life previously not reviewed capitalised R 21 471.65
2019/06/30	Depreciation for Other Assets due to useful life previously not reviewed R 116 929.41
2019/06/30	Change in depreciation due to completed project previously ■ capitalised R 22 687.72
2019/06/30	Change in depreciation due to ■ useful life previously not reviewed R 341 234.39
<b>R 24 911</b>	<b>Loss on disposal of assets</b>
2019/06/30	Increase in loss on disposal due to disposed vehicle written off with incorrect amount R 24 910.58
<b>R -248 086</b>	<b>Repairs and Maintenance</b>
2019/06/30	Reduction in maintenance account ■ to ■ cost previously not capitalised -R 248 086
<b>R -1 359 204</b>	<b>Contracted Services</b>
2019/06/30	Reduction in contracted services due to ■ project previously not recognised -R 1 359 203.37
<b>R -167</b>	<b>Rent of facilities</b>
2019/06/30	Change in rent of facilities due ■ miscalculation and cancelled lease not previously accounted for -R 167.
<b>R-16 934 438</b>	
2019/06/30	Increase in fines due to traffic fines withdrawn ■ previous years not allocated correctly -R 16 934 438.
<b>R -2 440 506</b>	<b>General expenses</b>
2019/06/30	Reduction in debt impairment -water- ■ ■ VAT portion taken out -R 1 866 ■
2019/06/30	Reduction in debt impairment - sewer- due ■ ■ VAT portion taken out -R 573 577.

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2019/2020 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Statement of Financial Performance

	2019 previously restated	Adjustment of errors	2019 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	486 306 412	-	486 306 412
Rental of facilities and equipment	2 132 853	(157)	2 132 696
Interest received (trading)	17 826 053	-	17 826 053
Agency services	9 254 073	-	9 254 073
Licenses and permits	1 020 674	-	1 020 674
Other income	27 601 807	-	27 601 807
Interest received - investment	9 615 814	-	9 615 814
<b>Taxation revenue</b>			
Property rates	160 412	-	160 412
Property rates - penalties imposed	10 022 809	-	10 022 809
<b>Transfer revenue</b>			
Government grants & subsidies	432 583 934	-	432 583 934
Public contributions and donations	110 987	-	110 987
Fines	32 189 439	(15 934 436)	16 255 003
<b>Expenditure</b>			
Employee related cost	(295 232 455)	-	(295 232 455)
Remuneration of councillors	(26 136 302)	-	(26 136 302)
Depreciation and amortisation	(127 724 087)	(517 904)	(128 241 991)
Impairment of assets	(4 399 272)	-	(4 399 272)
Finance costs	(11 973 780)	-	(11 973 780)
Debt Impairment	(123 718 663)	-	(123 718 663)
Collection costs	(600 321)	-	(600 321)
Repairs and maintenance	(42 157 908)	248 085	(41 909 823)
Bulk purchases	(348 443 869)	-	(348 443 869)
Contracted services	(51 435 443)	1 359 204	(50 076 239)
Transfer and subsidies	(50 297 361)	-	(50 297 361)
General expenses	(120 614 820)	440	(118 174 314)
Loss on disposal/write off of property, plant and equipment	(2 201 607)	(24 911)	(2 226 518)
<b>Surplus/(loss) for the year</b>	<b>(67 110 619)</b>	<b>(12 429 613)</b>	<b>(79 540 232)</b>

\* See Note 82

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year ended 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

Cash Flow Statement	2019 previously stated	Adjustments	2019 restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation revenue	89 038 362	30 144 859	119 183 221
Grants	473 029 212	8 276 715	481 305 927
Interest income	9 615 814	-	9 615 814
Sale of goods and services	170 580	(40 751 249)	541 419 341
<b>Payments</b>			
Employee costs	(323 715 602)	-	(323 715 602)
Suppliers	(711 701 925)	4 277 889	(707 424 036)
Finance cost	(10 981 350)	-	(10 981 350)
Transfer of property, plant and equipment	64 509 821	-	64 509 821
<b>Cash flows from investing activities</b>			
Purchase to property, plant and equipment	(167 723)	(1 948 215)	(1 680 839 938)
Proceeds from sale of property, plant and equipment	676 890	1	676 891
Purchase of other intangible assets	(154 938)	-	(154 938)
Increase from sale of financial assets	(4 637 684)	-	(4 637 684)
<b>Cash flow from financing activities</b>			
Repayment of other financial liabilities	30 274 238	-	30 274 238
Finance lease payments	4 090 641	-	4 090 641
	<b>34 542 346</b>	<b>-</b>	<b>34 542 346</b>
<b>Fruitless &amp; wasteful expenditure</b>	<b>2019 previously stated</b>	<b>Adjustment of errors</b>	<b>2019 restated</b>
Opening balance	13 524 312	(162 138)	13 362 176
Fruitless and wasteful expenditure current	9 975 974	-	9 975 974
Fruitless and wasteful expenditure written off (2016/2018)	(943 172)	-	(943 172)
Fruitless and wasteful expenditure written off (2018/2017)	(8 060 039)	-	(8 060 039)
Fruitless and wasteful expenditure written off (2017/2018)	(4 868 884)	-	(4 868 884)
	<b>11 628 191</b>	<b>(162 138)</b>	<b>11 466 055</b>
<b>Fruitless expenditure awaiting further investigation/write off</b>			
<b>Irregular expenditure</b>	<b>2019 Previously stated</b>	<b>Adjustment of errors</b>	<b>2019 Restated</b>
Opening balance	827 940	(1 579 030)	103 248 910
Irregular expenditure current year	7 438 134	4 388 975	11 827 109
Irregular expenditure written off (2015/2018)	(39 460 428)	-	(39 460 428)
Irregular expenditure written off (2016/2017)	(27 178 275)	1 701 231	(25 477 044)
Irregular expenditure written off (2017/2018)	(12 252 915)	-	(12 252 915)
Irregular expenditure written off (2016/2017)	(547 657)	-	(547 657)
	<b>32 826 798</b>	<b>4 511 176</b>	<b>37 337 976</b>
<b>Irregular expenditure awaiting further investigation/write off</b>			

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The following amounts included in consumer debtors were reclassified to comply with the requirements of GRAP 108.

\* See Note 62

# Greater Tzaneen Municipality

Unaudited Financial Statements for the year 2019 30 June 2020

## Notes to the Unaudited Financial Statements

Figures in Rand

### Reclassification of consumer debtors

	Previously Stated	Reclassification and prior period corrections	2019 Restated
<b>Note 8. Consumer debtors</b>			
<b>Net balances</b>			
Rates	19 240 625	(19 240 625)	-
Electricity	71 083 671	-	71 083 671
Refuse	11 619 558	-	11 619 558
	<b>101 943 854</b>	<b>(19 240 625)</b>	<b>82 703 229</b>

### Note 5. Receivables from non-exchange transactions

<b>Net balances</b>			
Fines	36 833 080	(16 006 510)	20 826 564
Consumer debtors- rates	-	19 240 625	19 240 625
	<b>36 833 080</b>	<b>3 234 109</b>	<b>40 067 189</b>

### Prior period errors

<b>Commitments</b>	<b>2019 previously stated</b>	<b>Adjustment of errors</b>	<b>2019 Restated</b>
<b>Authorised expenditure</b>			
Already contracted but not provided for			
Property, plant and equipment	126 705 881	6 567 750	135 273 326
Other financial	165 026	15 008	115 171
<b>Total capital commitments</b>			
Already contracted for but not provided for	<b>228 870 601</b>	<b>21 574 576</b>	<b>250 445 177</b>

### The expenditure will be financed by

	<b>2019 previously stated</b>	<b>Adjustment of errors</b>	<b>2019</b>
Internal advances	216 461	15 008	101 223 287
MIG Grants	126 705 576	6 567 750	135 273 326
DBSA Loan	13 946 564	-	13 946 564
	<b>228 870 601</b>	<b>21 574 576</b>	<b>250 445 177</b>

\* See Note 02



## Appendix A

### Schedule of external loans as at 30 June 2020

	Balance at 30 June 2019	Received during the period	Written off during the period	Balance at 30 June 2020
	Rand	Rand	Rand	Rand
<b>Annuity loans</b>				
DBSA	30 466 889	-	1 990 816	28 476 073
ABSA	16 848 525	-	1 686 173	15 162 352
DBSA	40 000 000	-	726 450	39 273 550
DBSA	-	20 000 000	379 057	19 620 943
ACCRUED INTEREST	1 140 403	-	398 446	741 957
	<b>88 455 817</b>	<b>20 000 000</b>	<b>6 162 942</b>	<b>103 292 875</b>
<b>Loan stock</b>				
STANDARD BANK	30 000 000	-	-	30 000 000
DEVELOPMENT BANK OF SA	15 000 000	-	15 000 000	-
	<b>45 000 000</b>	<b>-</b>	<b>15 000 000</b>	<b>30 000 000</b>
<b>Total external loans</b>				
Annuity loans	88 455 817	20 000 000	6 162 942	103 292 875
Loan stock	45 000 000	-	15 000 000	30 000 000
	<b>133 455 817</b>	<b>20 000 000</b>	<b>20 162 942</b>	<b>133 292 875</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2020	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

<b>Analysis of property, plant and equipment as at 30 June 2020</b>	
<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>

[illegible]

# Appendix ■

## Analysis of property, plant and equipment as at 30 June 2020 Cost/Revaluation Accumulated depreciation

Opening P&E R/N	Additions R/N	Disposals (Value less R/N)	Transfer to R/N	Revaluations R/N	Other changes, revaluations R/N	Closing Balance R/N	Opening Balance R/N	Disposals (Value less R/N)	Revaluations R/N	Other changes, revaluations R/N	Closing Balance R/N	Opening Balance R/N	Disposals (Value less R/N)	Revaluations R/N	Other changes, revaluations R/N	Closing Balance R/N
Total property, plant and equipment																
Land and buildings	117 640 187	-	-	-	-	117 640 187	117 640 187	-	-	-	117 640 187	117 640 187	-	-	-	117 640 187
Investment properties	2 312 875 051	17 390 000	(3 340 000)	-	-	2 326 925 051	2 312 875 051	17 390 000	-	-	2 326 925 051	2 312 875 051	17 390 000	-	-	2 326 925 051
Community Assets	888 442 765	80 000	(8 000)	-	-	880 442 765	888 442 765	80 000	-	-	880 442 765	888 442 765	80 000	-	-	880 442 765
Working Assets	35 234 817	174 378 000	(200 000)	(20 000 000)	-	189 412 817	35 234 817	174 378 000	-	-	189 412 817	35 234 817	174 378 000	-	-	189 412 817
Leased assets	14 858 000	4 800 000	(200 000)	-	-	19 458 000	14 858 000	4 800 000	-	-	19 458 000	14 858 000	4 800 000	-	-	19 458 000
Intangible assets	21 408 143	3 475 000	(11 000 000)	-	-	13 883 143	21 408 143	3 475 000	-	-	13 883 143	21 408 143	3 475 000	-	-	13 883 143
	-	(16 125 000)	(10 470 000)	(20 000 000)	-	7 008 143	7 008 143	(16 125 000)	-	-	7 008 143	7 008 143	(16 125 000)	-	-	7 008 143
Intangible assets	100 000	5 000	-	-	-	105 000	100 000	5 000	-	-	105 000	100 000	5 000	-	-	105 000
Liabilities within A General Account	116 265	5 000	-	-	-	121 265	116 265	5 000	-	-	121 265	116 265	5 000	-	-	121 265
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers - software	3 740 000	(20 000)	-	-	-	3 720 000	3 740 000	(20 000)	-	-	3 720 000	3 740 000	(20 000)	-	-	3 720 000
	-	(20 000)	-	-	-	(20 000)	-	(20 000)	-	-	(20 000)	-	(20 000)	-	-	(20 000)
Investment properties	181 748 603	-	(10 000 000)	-	-	171 748 603	181 748 603	-	-	-	171 748 603	181 748 603	-	-	-	171 748 603
Investment properties	181 748 603	-	(10 000 000)	-	-	171 748 603	181 748 603	-	-	-	171 748 603	181 748 603	-	-	-	171 748 603
Total	3 826 981 222	174 785 100	(30 340 000)	(20 000 000)	(20 000 000)	3 856 326 322	3 826 981 222	174 785 100	-	-	3 856 326 322	3 826 981 222	174 785 100	-	-	3 856 326 322
Land and buildings	117 640 187	-	-	-	-	117 640 187	117 640 187	-	-	-	117 640 187	117 640 187	-	-	-	117 640 187
Investment properties	2 312 875 051	17 390 000	(3 340 000)	-	-	2 326 925 051	2 312 875 051	17 390 000	-	-	2 326 925 051	2 312 875 051	17 390 000	-	-	2 326 925 051
Community Assets	888 442 765	80 000	(8 000)	-	-	880 442 765	888 442 765	80 000	-	-	880 442 765	888 442 765	80 000	-	-	880 442 765
Working Assets	35 234 817	174 378 000	(200 000)	(20 000 000)	-	189 412 817	35 234 817	174 378 000	-	-	189 412 817	35 234 817	174 378 000	-	-	189 412 817
Leased assets	14 858 000	4 800 000	(200 000)	-	-	19 458 000	14 858 000	4 800 000	-	-	19 458 000	14 858 000	4 800 000	-	-	19 458 000
Intangible assets	21 408 143	3 475 000	(11 000 000)	-	-	13 883 143	21 408 143	3 475 000	-	-	13 883 143	21 408 143	3 475 000	-	-	13 883 143
Intangible assets	100 000	5 000	-	-	-	105 000	100 000	5 000	-	-	105 000	100 000	5 000	-	-	105 000
Liabilities within A General Account	116 265	5 000	-	-	-	121 265	116 265	5 000	-	-	121 265	116 265	5 000	-	-	121 265
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computers - software	3 740 000	(20 000)	-	-	-	3 720 000	3 740 000	(20 000)	-	-	3 720 000	3 740 000	(20 000)	-	-	3 720 000
	-	(20 000)	-	-	-	(20 000)	-	(20 000)	-	-	(20 000)	-	(20 000)	-	-	(20 000)
Investment properties	181 748 603	-	(10 000 000)	-	-	171 748 603	181 748 603	-	-	-	171 748 603	181 748 603	-	-	-	171 748 603
Investment properties	181 748 603	-	(10 000 000)	-	-	171 748 603	181 748 603	-	-	-	171 748 603	181 748 603	-	-	-	171 748 603

Appendix B  
June 2019

Analysis of property, plant and equipment as at 30 June 2019  
Cost/Revaluation Accumulated depreciation

Land and buildings

Opening Balance Sheet	Acquisitions	Disposals	Transfers	Revaluations	Other changes	Opening Balance Sheet	Opening Balance Sheet	Disposals	Revaluations	Revaluations	Opening Balance Sheet	Opening Balance Sheet
Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost
117 640 187	-	-	-	-	-	117 640 187	-	-	-	-	-	117 640 187
117 640 187	-	-	-	-	-	117 640 187	-	-	-	-	-	117 640 187
Instruments												
Roads	1 341 891 713	2 846 682	-	-	-	1 344 738 395	4 542 338	-	-	-	4 542 338	1 349 284 733
Storm water	34 546 115	136 889	-	-	-	34 682 994	4 542 338	-	-	-	4 542 338	39 225 888
Buildings	1 113 753	-	-	-	-	1 113 753	4 542 338	-	-	-	4 542 338	1 118 295
Infrastructure	38 036 416	-	10 100 000	-	-	48 136 416	4 542 338	-	-	-	4 542 338	52 678 754
Refuse collection	41 143 737	-	-	-	-	41 143 737	4 542 338	-	-	-	4 542 338	45 686 075
Assets	843 832	-	-	-	-	843 832	4 542 338	-	-	-	4 542 338	848 374
Plant and machinery	313 585	-	-	-	-	313 585	4 542 338	-	-	-	4 542 338	318 127
Intangible	147 170	-	-	-	-	147 170	4 542 338	-	-	-	4 542 338	151 712
Other	184 000	-	-	-	-	184 000	4 542 338	-	-	-	4 542 338	188 552
Landlord	134 071 141	14 151 864	(10 000 000)	-	-	138 222 995	4 542 338	-	-	-	4 542 338	142 765 333
Land and buildings	2 007 586	-	-	-	-	2 007 586	4 542 338	-	-	-	4 542 338	2 012 128
2 311 810 511	11 013 218	(91 896 300)	-	-	-	2 219 927 429	4 542 338	-	-	-	4 542 338	2 224 469 767
Community Assets												
Public & private	1 131 138	-	-	-	-	1 131 138	4 542 338	-	-	-	4 542 338	1 135 680
Leasing	3 130 519	-	-	-	-	3 130 519	4 542 338	-	-	-	4 542 338	3 135 061
Leasing	11 131 783	2 131 217	-	-	-	13 263 000	4 542 338	-	-	-	4 542 338	13 267 542
Infrastructure	10 131 802	-	-	-	-	10 131 802	4 542 338	-	-	-	4 542 338	10 136 340
Services	7 131 828	-	-	-	-	7 131 828	4 542 338	-	-	-	4 542 338	7 141 370
Assets	82 000	-	-	-	-	82 000	4 542 338	-	-	-	4 542 338	86 542
Infrastructure	1 131 843	-	-	-	-	1 131 843	4 542 338	-	-	-	4 542 338	1 136 386
Assets	128 000	-	-	-	-	128 000	4 542 338	-	-	-	4 542 338	132 542
Recreational facilities	70 131 854	10 131 854	-	-	-	80 263 708	4 542 338	-	-	-	4 542 338	84 806 046
Infrastructure	1 131 854	-	-	-	-	1 131 854	4 542 338	-	-	-	4 542 338	1 136 396
Infrastructure	10 131 854	-	-	-	-	10 131 854	4 542 338	-	-	-	4 542 338	10 141 396
Infrastructure	10 131 854	-	-	-	-	10 131 854	4 542 338	-	-	-	4 542 338	10 146 396
170 290 841	30 263 708	-	-	-	-	200 554 549	4 542 338	-	-	-	4 542 338	205 096 887

[illegible][illegible]



15. [http://www.bbc.co.uk/1/health/2005/05/050515\\_1\\_heart\\_disease\\_1.shtml](http://www.bbc.co.uk/1/health/2005/05/050515_1_heart_disease_1.shtml)

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## Appendix ■

Segmental Statement of Financial Performance for the year ended  
Prior Year Current Year

Actual Income	Actual	Surplus	Actual Income	Actual	Surplus
Rand	Expenditure	(Deficit)	Rand	Expenditure	(Deficit)
	Rand	Rand		Rand	Rand
Municipality					
-	30 482 118	(30 482 118)	208 001	40 898 318	(40 898 317)
513 400 100	283 849 785	249 518 411	595 399 123	335 108 252	313 298 841
250 805	28 203 233	(22 694 728)	385 705	29 937 990	(29 652 284)
	8 103 481	(8 880 883)			
37 723	8 881 275	(8 843 552)	75 041	10 642 819	(10 567 778)
2 724 258	13 758 336	(11 034 257)	32 513	9 640 804	(9 607 291)
13 701 184	18 200 434	(2 889 240)	1 846 536	14 302 774	(12 456 238)
124 049	23 018 588	(22 894 539)	24 771 945	30 780 685	(6 008 740)
38 744 951	98 379 181	(59 634 230)	303 340	22 958 204	(22 654 864)
91 178 348	101 730 641	(10 552 293)	29 877 367	85 008 451	(47 121 084)
	-	-	31 151 355	170 349 874	(139 198 519)
	-	-	-	-	(4 297 687)
408 634	514 418 048	(10 819 414)	160 795 293	326 956 520	(21 428 703)
1 121 880	1 201 430 908	(79 549 028)	1 274 437 331	1 143 443 974	130 993 357

# Appendix E(1)

## Actual Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2020 Act. Bal.	Current year 2020 Adjusted budget			Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
<b>Revenue</b>					
Property rates	114 746 520	104 000 000	10 746 520	10,3	The increase is due to supplementary valuation and new development.
Service charges	557 909 399	608 202 657	(50 293 258)	(8,3)	The lower than expected service charges is due to lower than anticipated revenue billed for electricity.
Property rates - penalties imposed	10 883 012	8 400 000	2 483 012	29,6	The huge increase is due to the late payments of debtors accounts and increment on debtors book.
Rental of facilities and equipment	1 162 239	1 972 100	(819 867)	(41,6)	Most of the facilities were skipped from rented in the 3rd quarter due to implementation of COVID-19 regulations.
Interest received - outstanding receivables	19 234 067	17 000 000	2 234 067	13,1	The increase in interest on outstanding debtors is due to the late payment on debtors account.
Income from agency services	9 119 576	53 664 291	(44 545 715)	(83,0)	The budgeted amount includes the amount received on behalf of the municipality which cannot be regarded as own revenue, only 20% is recognized as revenue.
Fines, penalties and forfeits	25 415 330	38 501 135	(13 085 800)	(34,0)	The disclosure of fines done in accordance with C&AP and resulting in total fines disclosed.
Licences and permits	1 231 992	817	414 992	50,8	The variance is due to higher than expected from the issuing of licences and permits especially building plans and registration approval, clearance certificates issued and town planning application fees.
Government grants and subsidies	498 182 710	522 181 730	(23 999 020)	(4,6)	The budgeted amount includes the amount for VAT and administration which is regarded as own revenue.
Public contributions and donations	80 000	-		100,0	Municipality received a donation of Funding around Mntzani in Abor Park.
Other income	27 795 527	6 968 123	20 827 404	298,9	The higher than anticipated income is due to grant administration fees and VAT on grant transferred from grants and subsidies.
Interest received - external investments	8 677 865	4 301 000	4 376 865	101,8	The increase is as a result of short-term investment made during the year, annual capitalisation of interest on investment and interest earned on bank account.
	1 274 427 231	1 368 008 037	(91 580 806)	(6,7)	
<b>Expenses</b>					
Employee cost	(314 771 885)	(331 256 909)	16 485 224	(5,0)	The underspending is due to vacant posts that were not filled immediately during the year.
Remuneration of councillors	(26 976 534)	(28 302 991)	1 326 457	(4,7)	
Depreciation and impairment	(98 378 043)	(123 010 209)	24 632 166	(20,0)	The budget includes depreciation amount of roads transferred to RAL and projects under work in progress.
Impairments	(9 236 673)	(6 989 791)	(2 246 882)	32,1	Physical damages of electricity and roads infrastructure.
Finance costs	(14 906 808)	(14 658 314)	(248 495)	1,7	
Debt impairment	(54 511 001)	(53 057 400)	(1 453 601)	2,7	
Collection costs	(658 501)	(470 000)	(188 501)	40,1	The new contract of debt collectors was appointment during October 2019.
Repairs and maintenance	(25 605 606)	(41 167 074)	15 561 468	(37,8)	The lower than anticipated spending is due to the under expenditure on the repairs and maintenance of council owned vehicle general, meters and electricity distribution network.
Bulk purchases	(392 274 281)	(403 000 000)	10 725 719	(2,7)	
Contracted Services	(58 906 462)	(66 644 519)	7 738 057	(11,6)	The lower than anticipated spending is due to the under expenditure on contracted services security.
Grants and subsidies paid	(34 772 798)	(39 810 730)	5 037 932	(12,7)	The low spending is due to INEP grant projects underspending.
General Expenses: provincial share vehicle licence fee	(108 786 414)	(140 297)	31 510 674	(22,5)	The lower than anticipated spending is due to the vehicle licensing costs transferred to department of transport.

# Appendix E(1)

## Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2020

	Current year 2019 Act. Bal.	Current year 2019 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Other revenue and costs	(1 139 784 807)	(1 248 665 025)	(108 880 218)	(8,7)
Gain or loss on disposal of assets	(3 608 166)	2 500 000	(6 108 166)	(244,3) Loss on disposal due to assets written off and donation made to the private party.
Fair value adjustments	(50 000)	-	(50 000)	- Change in value due to supplementary valuation received during the year.
	(122 526)	2 500 000	(2 622 526)	(104,9)
Net surplus/ (deficit) for the year	130 984 258	119 843 012	11 141 246	8,3

## Appendix E(2)

### Budget Analysis of Capital Expenditure ■ at ■ June

	Additions	Revised	Variance		Explanation of significant
	Rand	Budget	Rand	nce	variances from budget
		Rand		%	
<b>Municipality</b>					
Finance & Admin/Finance	4 835 063	200 000	(4 635 063)	(2 318)	The overspending is due to the acquisition of IT equipments through finance lease.
Health/Clinics	55 870	-	(55 870)	-	The overspending is due to the construction of a wall for grease and oil trays and traps.
Housing	6 550 940	6 000 000	(550 940)	(9)	
Sport and Recreation	■	1 800 000	1 570 150	87	■ low spending on sport and recreation was due to the disruption of procurement processes due to covid-19
Waste Water	21 214	■	63 786	75	The low spending is due to the acquisition of mobile Air Quality monitoring station.
Management/Sewerage					
Road Transport/Roads	81 771 436	95 225 090	13 453 652	14	The low spending is due to the roads that were constructed on behalf of RAL and are transferred to RAL as grants ■ subsidies.
Electricity /Electricity Distribution	47 257 959	50 847 675	3 589 716	7	
	<b>140 722 334</b>	<b>154 157 765</b>	<b>13 435 431</b>	<b>9</b>	

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by functional classification)**  
**for the year ended 30 June 2020**

2020/2019										2019/2018			
Original Budget	Budget Adjustments (Additions and Deductions)	Revised Budget	Final Budget	Actual Expenditure	Variance (Cost over/under)	Variance of Actual Expenditure against Budget	Actual Expenditure as % of Final Budget	Actual Expenditure as % of Original Budget	Revised Budget	Expenditure as % of Revised Budget	Expenditure as % of Original Budget	Expenditure as % of Revised Budget	Expenditure as % of Original Budget
Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head	Sub-Head
<b>Revenue - Standard</b>													
National government and administration	210 000 000	210 000 000	210 000 000	210 000 000	210 000 000	210 000 000	100%	100%	210 000 000	210 000 000	210 000 000	210 000 000	210 000 000
Security and defence	3 100	290 000	290 000	290 000	290 000	290 000	100%	100%	290 000	290 000	290 000	290 000	290 000
Taxation and levies	110 000 000	110 000 000	110 000 000	110 000 000	110 000 000	110 000 000	100%	100%	110 000 000	110 000 000	110 000 000	110 000 000	110 000 000
Corporate services	200	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	100%	100%	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
Community and public safety	41 000 000	41 000 000	41 000 000	41 000 000	41 000 000	41 000 000	100%	100%	41 000 000	41 000 000	41 000 000	41 000 000	41 000 000
Health and social services	200 000	200 000	200 000	200 000	200 000	200 000	100%	100%	200 000	200 000	200 000	200 000	200 000
Public safety	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000	100%	100%	30 000 000	30 000 000	30 000 000	30 000 000	30 000 000
Housing	8 000 000	8 000 000	8 000 000	8 000 000	8 000 000	8 000 000	100%	100%	8 000 000	8 000 000	8 000 000	8 000 000	8 000 000
Health	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000	100%	100%	12 000 000	12 000 000	12 000 000	12 000 000	12 000 000
Environment and environmental services	16 000 000	16 000 000	16 000 000	16 000 000	16 000 000	16 000 000	100%	100%	16 000 000	16 000 000	16 000 000	16 000 000	16 000 000
Planning and development	300 000	300 000	300 000	300 000	300 000	300 000	100%	100%	300 000	300 000	300 000	300 000	300 000
Road transport	147 000 000	147 000 000	147 000 000	147 000 000	147 000 000	147 000 000	100%	100%	147 000 000	147 000 000	147 000 000	147 000 000	147 000 000
Trading services	800 000 000	800 000 000	800 000 000	800 000 000	800 000 000	800 000 000	100%	100%	800 000 000	800 000 000	800 000 000	800 000 000	800 000 000
Waste management	60 000 000	60 000 000	60 000 000	60 000 000	60 000 000	60 000 000	100%	100%	60 000 000	60 000 000	60 000 000	60 000 000	60 000 000
<b>Total Revenue - Standard</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>100%</b>	<b>100%</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>	<b>1 000 000 000</b>

Appendix G1  
Budgeted Financial Performance (revenue and expenditure by functional classification)  
for the year ended 30 June 2019

2020/2019

2019/2018

Original Budget	Revised Budget	Yoursong (Kia Ora) Budget	Final Budget	Actual Outcome	Unsettled expenditure	Variance of actual outcome against Budget	Actual Expenditure as % of final Budget	Actual Outcome as % of Revised Budget	Revised Expenditure as % of final Budget	Expenditure as % of final Budget	Balance to be received	Revised Actual Outcome
Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised
<b>Expenditure - Functional</b>												
Government and administration	552,154,473	(12,864,877)	-	565,019,350	565,019,350	-	100.0%	100.0%	-	-	-	565,019,350
Revenue and welfare	47,328,287	(3,063,436)	7,788,000	52,052,851	52,052,851	-	100.0%	100.0%	-	-	-	52,052,851
Budget and treasury	111,400,161	48,182,012	33,850,475	193,432,648	193,432,648	-	100.0%	100.0%	-	-	-	193,432,648
Corporate services	138,004,022	17,488	17,308,805	155,330,315	155,330,315	-	100.0%	100.0%	-	-	-	155,330,315
Government and public safety	184,349,634	(18,381,332)	(18,381,332)	165,968,302	165,968,302	-	100.0%	100.0%	-	-	-	165,968,302
Environment and natural resources	10,817,176	(274,818)	-	10,542,358	10,542,358	-	100.0%	100.0%	-	-	-	10,542,358
Open and recreation	27,182,106	(1,779,738)	-	25,402,368	25,402,368	-	100.0%	100.0%	-	-	-	25,402,368
Performance	38,781,124	(8,888,184)	(8,888,184)	29,892,940	29,892,940	-	100.0%	100.0%	-	-	-	29,892,940
Health	18,045,102	(1,181,778)	-	16,863,324	16,863,324	-	100.0%	100.0%	-	-	-	16,863,324
Police	13,814,851	(374,302)	-	13,440,549	13,440,549	-	100.0%	100.0%	-	-	-	13,440,549
Education and environment services	614,818,924	(12,185,132)	(12,185,132)	602,633,792	602,633,792	-	100.0%	100.0%	-	-	-	602,633,792
Planning and development	24,181,722	(3,008,402)	(3,008,402)	21,173,320	21,173,320	-	100.0%	100.0%	-	-	-	21,173,320
Food services	182,142,701	(1,896,742)	(1,896,742)	180,245,959	180,245,959	-	100.0%	100.0%	-	-	-	180,245,959
Trading services	548,168,116	(11,171,111)	(11,171,111)	537,000,005	537,000,005	-	100.0%	100.0%	-	-	-	537,000,005
Waste	881,014,878	(1,082,641)	(1,082,641)	879,932,237	879,932,237	-	100.0%	100.0%	-	-	-	879,932,237
Waste management	7,760,100	(1,188,888)	-	6,571,212	6,571,212	-	100.0%	100.0%	-	-	-	6,571,212
Waste management	16,888,137	(1,302,492)	(1,302,492)	15,585,645	15,585,645	-	100.0%	100.0%	-	-	-	15,585,645
Other	-	-	-	-	-	-	-	-	-	-	-	-
Capital and property costs	-	-	-	-	-	-	-	-	-	-	-	-
Capital services	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	1,111,898,873	(24,865,184)	-	1,087,033,689	1,087,033,689	-	100.0%	100.0%	-	-	-	1,087,033,689
Expenditure for the year	1,111,898,873	(24,865,184)	-	1,087,033,689	1,087,033,689	-	100.0%	100.0%	-	-	-	1,087,033,689

**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2020**

2020/2019												2019/2018	
Original Budget	Budget Adjustments (2019/2020 and 2020/2021)	Adjusted Budget (2019/2020 and 2020/2021)	Final Budget	Actual Expenditure	Revised Expenditure	Revised Expenditure as a % of Revised Budget	Actual Expenditure as a % of Final Budget	Actual Expenditure as a % of Original Budget	Revised Expenditure as a % of Original Budget	Revised Expenditure as a % of Original Budget	Revised Expenditure as a % of Original Budget	Revised Expenditure as a % of Original Budget	Revised Expenditure as a % of Original Budget
Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote
<b>Revenue by Vote</b>													
Vote 1 - Municipal Manager	1 500	200 000	201 500	180 000	180 000	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%
Vote 2 - Planning and Economic Development	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 3 - Property Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 4 - Community Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 5 - Council Administration	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 6 - Engineering Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 7 - Municipal Manager	1 500	200 000	201 500	180 000	180 000	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%
Vote 8 - Engineering Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
<b>Total Revenue</b>	<b>1 500</b>	<b>200 000</b>	<b>201 500</b>	<b>180 000</b>	<b>180 000</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>
<b>Expenditure by Vote</b>													
Vote 1 - Municipal Manager	1 500	200 000	201 500	180 000	180 000	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%
Vote 2 - Planning and Economic Development	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 3 - Property Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 4 - Community Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 5 - Council Administration	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 6 - Engineering Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Vote 7 - Municipal Manager	1 500	200 000	201 500	180 000	180 000	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%
Vote 8 - Engineering Services	100 000	100 000	200 000	180 000	180 000	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
<b>Total Expenditure</b>	<b>1 500</b>	<b>200 000</b>	<b>201 500</b>	<b>180 000</b>	<b>180 000</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>
<b>Surplus/(Deficit) for the year</b>	<b>1 500</b>	<b>200 000</b>	<b>201 500</b>	<b>180 000</b>	<b>180 000</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>	<b>89.3%</b>

**Appendix 03**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2020**

2020/2019										2019/2018				
Original Budget	Budget (1 Jan 2020 and 1 Jan 2019)	Revised Budget	Final Budget	Actual (2020)	Revised Budget	Variance of Actual to Revised Budget	Actual (2019)	Actual (2018)	Revised Budget	Actual (2019)	Actual (2018)	Revised Budget	Actual (2019)	Actual (2018)
Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>														
Property rates	104 000 000	-	104 000 000	104 742 320	104 742 320	742 320	104 000 000	104 000 000	104 000 000	104 000 000	104 000 000	104 000 000	104 000 000	104 000 000
Property rates - water and sewerage	9 450 000	-	9 450 000	9 450 000	9 450 000	0	9 450 000	9 450 000	9 450 000	9 450 000	9 450 000	9 450 000	9 450 000	9 450 000
Service charges - electricity revenue	377 331 000	(1 000 000)	376 331 000	376 331 000	376 331 000	0	376 331 000	376 331 000	376 331 000	376 331 000	376 331 000	376 331 000	376 331 000	376 331 000
Service charges - refuse removal	25 731 000	-	25 731 000	25 731 000	25 731 000	0	25 731 000	25 731 000	25 731 000	25 731 000	25 731 000	25 731 000	25 731 000	25 731 000
Service charges - water	4 100 000	-	4 100 000	4 100 000	4 100 000	0	4 100 000	4 100 000	4 100 000	4 100 000	4 100 000	4 100 000	4 100 000	4 100 000
Local authorities and agencies	1 875 000	-	1 875 000	1 875 000	1 875 000	0	1 875 000	1 875 000	1 875 000	1 875 000	1 875 000	1 875 000	1 875 000	1 875 000
Private companies - refuse removal	4 801 000	-	4 801 000	4 801 000	4 801 000	0	4 801 000	4 801 000	4 801 000	4 801 000	4 801 000	4 801 000	4 801 000	4 801 000
Private companies - electricity revenue	1 750 000	-	1 750 000	1 750 000	1 750 000	0	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000	1 750 000
Private companies - water	38 001 100	-	38 001 100	38 001 100	38 001 100	0	38 001 100	38 001 100	38 001 100	38 001 100	38 001 100	38 001 100	38 001 100	38 001 100
Leases and permits	817 000	-	817 000	817 000	817 000	0	817 000	817 000	817 000	817 000	817 000	817 000	817 000	817 000
Agency services	10 864 000	-	10 864 000	10 864 000	10 864 000	0	10 864 000	10 864 000	10 864 000	10 864 000	10 864 000	10 864 000	10 864 000	10 864 000
Grants and subsidies	411 967 000	0 000 000	411 967 000	411 967 000	411 967 000	0	411 967 000	411 967 000	411 967 000	411 967 000	411 967 000	411 967 000	411 967 000	411 967 000
Other revenue	-	-	-	-	-	0	-	-	-	-	-	-	-	-
Grants on account of PPP	-	-	-	-	-	0	-	-	-	-	-	-	-	-
<b>Total Revenue (including interest income and capital gains)</b>	<b>1 064 932 000</b>	<b>0 000 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>0</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>	<b>1 064 932 000</b>



## for the year ended 30 June 2020

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Appendix G4  
 Budgeted Capital Expenditure by vote, function and funding  
 for the year ended 30 June 2020

	2020/2019						2019/2018					
	Original Budget	Budget Adjustments (Add, subtract or % of the 2019/20)	Revised Budget	Actual 2019/20	Over/Under Budget	Variance at Actual 2019/20 against Budget 2019/20	Original Budget	Actual 2019/20	Over/Under Budget	Variance at Actual 2019/20 against Budget 2019/20	Original Budget	Actual 2019/20
	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised
Capital expenditure - Vote Multi-year expenditure												
Vote 1 - Auckland Harbour Development	1 900 000	(5 000 000)	-	-	-	-	-	-	-	-	-	8 000
Vote 2 - Planning and Resource Development	1 000 000	(2 000 000)	-	-	-	-	-	-	-	-	-	12 801
Vote 3 - Regional Services	-	700 000	-	200 000	10 000	(100 000)	-	-	-	-	-	3 819 150
Vote 4 - Corporate Services	-	-	-	4 700 000	-	4 700 000	-	-	-	-	-	7 000 151
Vote 5 - Community Services	1 000 000	-	-	1 000 000	2 000 000	1 000 000	-	-	-	-	-	276 303
Vote 7 - Landward Engineering Services	30 000 000	10 000 000	-	40 000 000	10 000 000	(10 000 000)	-	-	-	-	-	34 511 000
Vote 8 - Long-term Services	102 000 000	(1 000 000)	-	101 000 000	10 000 000	(10 000 000)	-	-	-	-	-	10 000 000
Capital expenditure multi-year total	140 900 000	11 000 000	-	151 900 000	30 000 000	(30 000 000)	-	-	-	-	-	11 000 000
Total Capital Expenditure - Vote	140 900 000	11 000 000	-	151 900 000	30 000 000	(30 000 000)	-	-	-	-	-	11 000 000

**Appendix G4**  
**Budgeted Capital Expenditure by vote, function and funding**  
**for the year ended 30 June 2020**

2020/2019												2019/2018											
Original Budget		Budget adjustments (1 to 100 of the 10-100)	Minister Vote Control approved extra)	Final Budget		Actual Expenditure	Revised Expenditure	Minister of Finance Control approved extra)	Actual Expenditure % of Final Budget	Actual Expenditure % of Revised Budget	Revised unaudited actuals	Expenditure submitted in terms of motion, 11 of 2019/20		Balance to be received		Revised in 2019							
Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item	Vote	Item
<b>Original Expenditure - Standard</b>																							
Government and administration	1 000 000	(1 000 000)	-	100 000	1 000 000	1 000 000	-	1 000 000	100 000 %	100 %	-	-	-	-	-	-	-	-	-	-	-	-	11 348 411
Provision and security	1 000 000	(1 000 000)	-	100 000	1 000 000	1 000 000	-	1 000 000	100 000 %	100 %	-	-	-	-	-	-	-	-	-	-	-	-	11 348 411
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11 348 411
Community and public safety	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Health	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Environment and environmental	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Planning and development	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Transport	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Trading services	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Waste	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Water services	1 000 000	1 000 000	100 000	1 100 000	1 100 000	1 100 000	-	1 100 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
<b>Total Capital Expenditure - Standard</b>	<b>10 000 000</b>	<b>10 000 000</b>	<b>1 000 000</b>	<b>11 000 000</b>	<b>11 000 000</b>	<b>11 000 000</b>	<b>-</b>	<b>11 000 000</b>	<b>110 000 %</b>	<b>110 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 448 411</b>
<b>Standard by</b>																							
Regional Government	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Provincial Government	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Local Government	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Transport and infrastructure	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Public services and utilities	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Health	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
Education	10 000 000	10 000 000	1 000 000	11 000 000	11 000 000	11 000 000	-	11 000 000	110 000 %	110 %	-	-	-	-	-	-	-	-	-	-	-	-	12 448 411
<b>Total Capital Funding</b>	<b>10 000 000</b>	<b>10 000 000</b>	<b>1 000 000</b>	<b>11 000 000</b>	<b>11 000 000</b>	<b>11 000 000</b>	<b>-</b>	<b>11 000 000</b>	<b>110 000 %</b>	<b>110 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 448 411</b>

**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2020**

	2020/2019					2019		
	Original Budget	Budget Adjustments (i.e. 626 and 631 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Outcome
	Rand	Rand	Rand	Rand	Budget Rand	Rand	Rand	Rand
Cash flow from operating activities								
Taxation revenue	101 180 000	-	101 180 000	95 177 552	(7 982 448)	92 %	97 %	95 177 552
Sale of goods and services	639 772 611	(10 298 000)	629 474 611	671 645 820	(46 096 581)	93 %	91 %	642 170 390
Grants	605 850 000	15 237 000	621 087 000	542 448 768	(3 623 300)	89 %	102 %	475 029 212
Interest	14 910 700	-	14 910 700	8 677 866	(6 232 835)	58 %	38 %	8 615 814
Employee costs	(337 715 348)	26 468 443	(311 246 905)	(152 367 881)	(158 879 024)	100 %	97 %	(323 715 000)
Suppliers	(736 424 754)	31 139 005	(705 285 749)	(567 987 833)	(30 444 787)	94 %	93 %	(711 701 024)
Finance costs	(14 058 314)	-	(14 058 314)	(13 571 398)	1 086 916	96 %	93 %	(10 051 500)
Other cash item	-	-	-	34 036 003	34 036 003	- %	- %	64 530 621
Net cash flow from/used operating activities	606 384 915	58 877 848	665 262 763	592 791 545	(5 221 028)	92 %	138 %	471 084 921
Cash flow from investing activities								
Additions property, plant and equipment	(157 084 080)	(15 883 000)	(172 967 080)	(174 056 995)	(21 089 145)	114 %	127 %	(167 881 723)
Proceeds on disposal of assets	2 800 000	-	2 800 000	-	(2 800 000)	- %	- %	0/0/000
Purchase of intangible assets	-	-	-	(5 400)	(5 400)	- %	- %	-
Additions in intangible assets	-	-	-	(202 341)	(202 341)	- %	- %	-
Proceeds on disposal of property, plant and equipment	-	-	-	(1)	(1)	- %	- %	(154 930)
Increases in financial assets	(2 711 404)	(500 000)	(3 211 404)	10 411 684	14 623 145	(147) %	(76) %	(4 403 / 694)
Net cash flow from/used investing activities	(159 295 311)	(16 383 000)	(175 678 311)	(164 362 611)	(9 673 380)	90 %	113 %	(171 807 486)
Cash flow from financing activities								
Repayment of other financial liabilities	(3 810 228)	-	(3 810 228)	(162 643)	3 652 780	4 %	4 %	30 274 258
Finance income payments	(1 608 000)	-	(1 608 000)	(53 332)	1 446 706	4 %	4 %	1 000 000
Net cash flow from/used financing activities	(5 418 228)	-	(5 418 228)	(216 174)	3 606 584	4 %	4 %	34 384 258
Net increase/(decrease) in cash held	(4 210 624)	42 494 848	37 579 927	32 212 760	(6 796 276)	74 %	(69) %	34 462 346
Cash and cash equivalents at the year end:	17 467 450	30 575 321	42 033 011	42 003 011	-	100,00 %	395,88 %	7 460 586
Cash and cash equivalents at the year end:	7 240 887	72 779 171	80 019 058	78 215 767	(8 796 271)	98 %	376 %	42 333 071